

# Japan's Leading All-in Provider of Internet Services

The logo for GMO, consisting of the letters 'GMO' in a bold, blue, sans-serif font.

GMO INTERNET GROUP

# Third Quarter Results Presentation, Fiscal Year 2010

November 8, 2010  
**GMO Internet, Inc.**

# About the Use of this Document

This document includes projections based on expectations, premises and plans as of November 8, 2010. These projections may differ from actual results due to factors including changes in the global economy, competition, exchange rate fluctuations, natural disasters and other unforeseeable events. Some of the figures given, such as market share are based on our own calculations. These figures may differ from research agency figures. Information contained in this document is provided for information purposes only and does not constitute solicitation of investors. Further, results forecasts and other forward-looking statements are based on premises that include risks and factors that are largely indeterminable. Please understand that actual results may differ significantly as a result of forces including economic conditions and market environment. No responsibility for any reason is accepted for damage sustained as a result of actions taken based on this information.

1. Overview
2. 3rd Quarter Financial Statements
3. Segment Report
  - i. Web Infrastructure & Ecommerce
  - ii. Internet Media
4. Growth Strategy

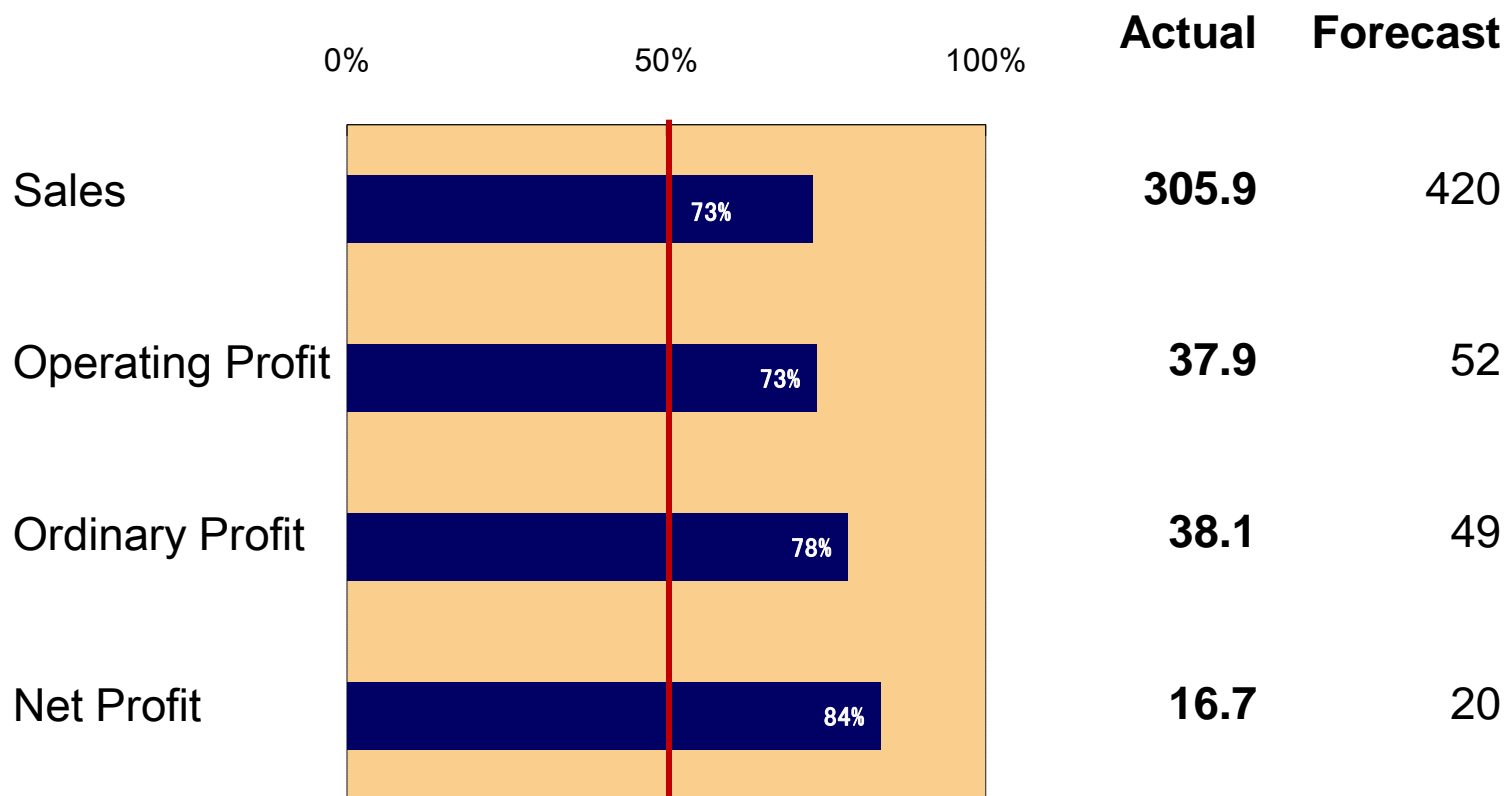
# Third Quarter Financial Statements

Operating profit up **7.8%** YOY

(Unit: JPY 100 millions)	1-9/2009	1-9/2010	% Change
Sales	286.5	<b>305.9</b>	6.8%
Operating Profit	35.2	<b>37.9</b>	7.8%
Ordinary Profit	36.6	<b>38.1</b>	4.1%
Net Profit	18.4	<b>16.7</b>	-9.1%

# End of Q3 results as % of Y/E Forecasts (before revision)

(JPY 100 millions)



## Infrastructure and Media Segments

- Solid performance in Infrastructure segment, GMO Apps Cloud a major success
- Responding to Yahoo! Japan's adoption of Google search engine

## CLICK Securities Joins Group

- Technology/brand recognition/reinvestment of profits into growth areas
- Aiming to further boost earning capacity by making the company a wholly-owned subsidiary

## Growth Area Initiatives

- Apps development support project to pass break even point within the year
- Android app market business launched in November

# Forecast Revision

Results forecast revised upward as CLICK Securities becomes subsidiary in Q4

(JPY millions)	Previous Forecast	Revised Forecast	% Change
Sales	42,000	44,000	4.8%
Operating Profit	5,200	5,600	7.7%
Ordinary Profit	4,900	5,550	13.3%
Net Profit	2,000	2,200	10.0%

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## Consolidated P/L

Revenue up 6.8%, operating profit increases by 7.8%

(Unit: JPY millions)	1-9/2009	1-9/2010	FYE12/2010 (Unrevised Forecast)	YoY Change
Sales	28,656	30,597	42,000	6.8%
Cost of Sales	12,959	14,264	—	—
SGA	12,174	12,536	—	—
Operating Profit	3,521	3,796	5,200	7.8%
Operating Profit Ratio	12.3%	12.4%	—	—
Non-Operating Revenue	427	231	—	—
Non-Operating Expenses	286	216	—	—
Ordinary Profit	3,662	3,811	4,900	4.1%
Extraordinary Profit	55	47	—	—
Extraordinary Loss	116	276	—	—
Corporate Tax etc.	1,105	1,242	—	—
Minority Equity	648	663	—	—
Net Profit	1,846	1,679	2,000	-9.1%

# Tax Consolidation System Adopted from 2011

Retained Loss (as of 9/2010)

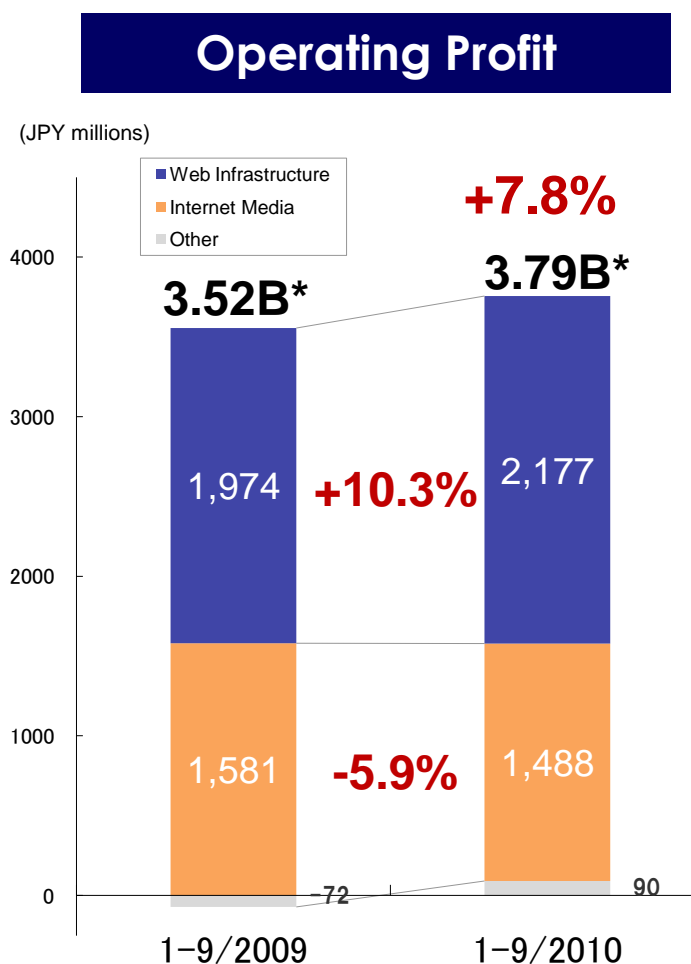
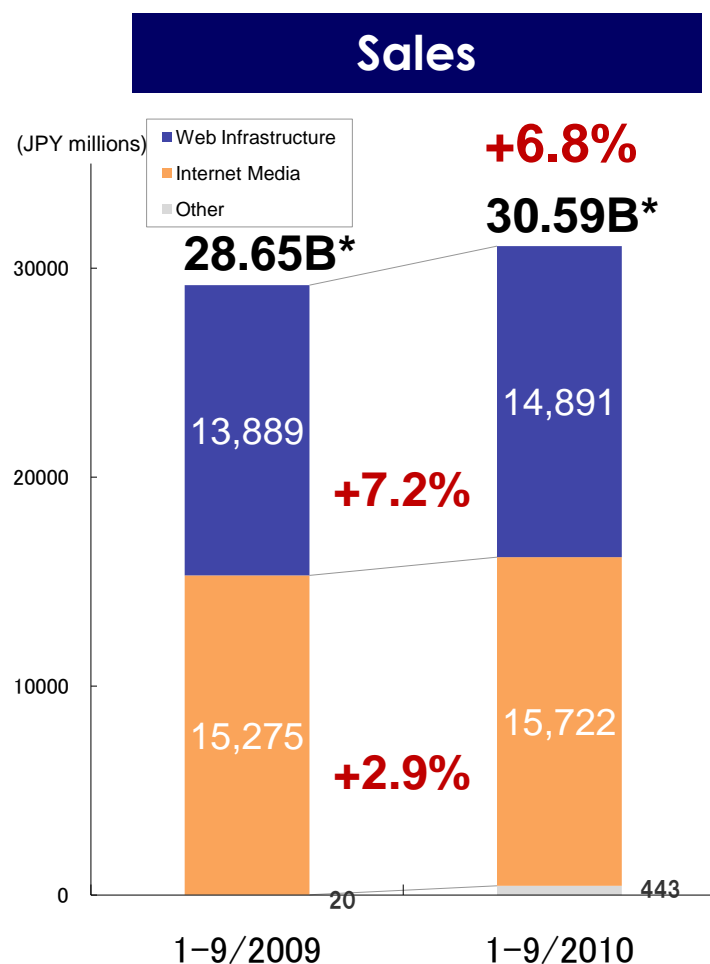
Up to 12/2014	JPY22.9 B
Up to 12/2017	JPY 2.9B
Total	JPY25.8B



Profit in 100% owned subsidiaries

# Sales/OP by Segment (nine months to September)

Profit up 7.8% despite leading investment in apps project



\*After adjustment for inter-segment transactions

# Consolidated Balance Sheet

No significant changes since the end of June

(JPY millions)	End of Jun. 2010	End of Sep. 2010	QoQ Change
Current Assets	31,236	30,528	-707
(Cash & deposits)	24,202	23,140	-1,061
Fixed Assets	11,493	13,637	2,144
(Goodwill)	1,200	2,203	1,003
(Software)	1,674	1,646	-27
(Investment real estate)	2,963	2,963	-
(Investment securities)	619	1,274	655
Total Assets	42,729	44,166	1,436
Total Liabilities	27,974	28,877	902
(Interest bearing liabilities)	11,225	11,431	205
Net Assets (minority equity portion)	14,755 (7,060)	15,288 (7,236)	533 (175)
Shareholders' Equity (earned surplus portion)	7,686 (6,521)	8,041 (6,882)	355 (360)
(Shareholders' equity ratio)	18.0%	18.2%	+0.2%
<b>Total Liabilities / Net Assets</b>	<b>42,729</b>	<b>44,166</b>	<b>1,436</b>

Decreased by 2.7 billion yen at end of October, due real estate sale

Acquisition of stock in equity method affiliates incl. Acrodea, Inc.

## Consolidated C/F

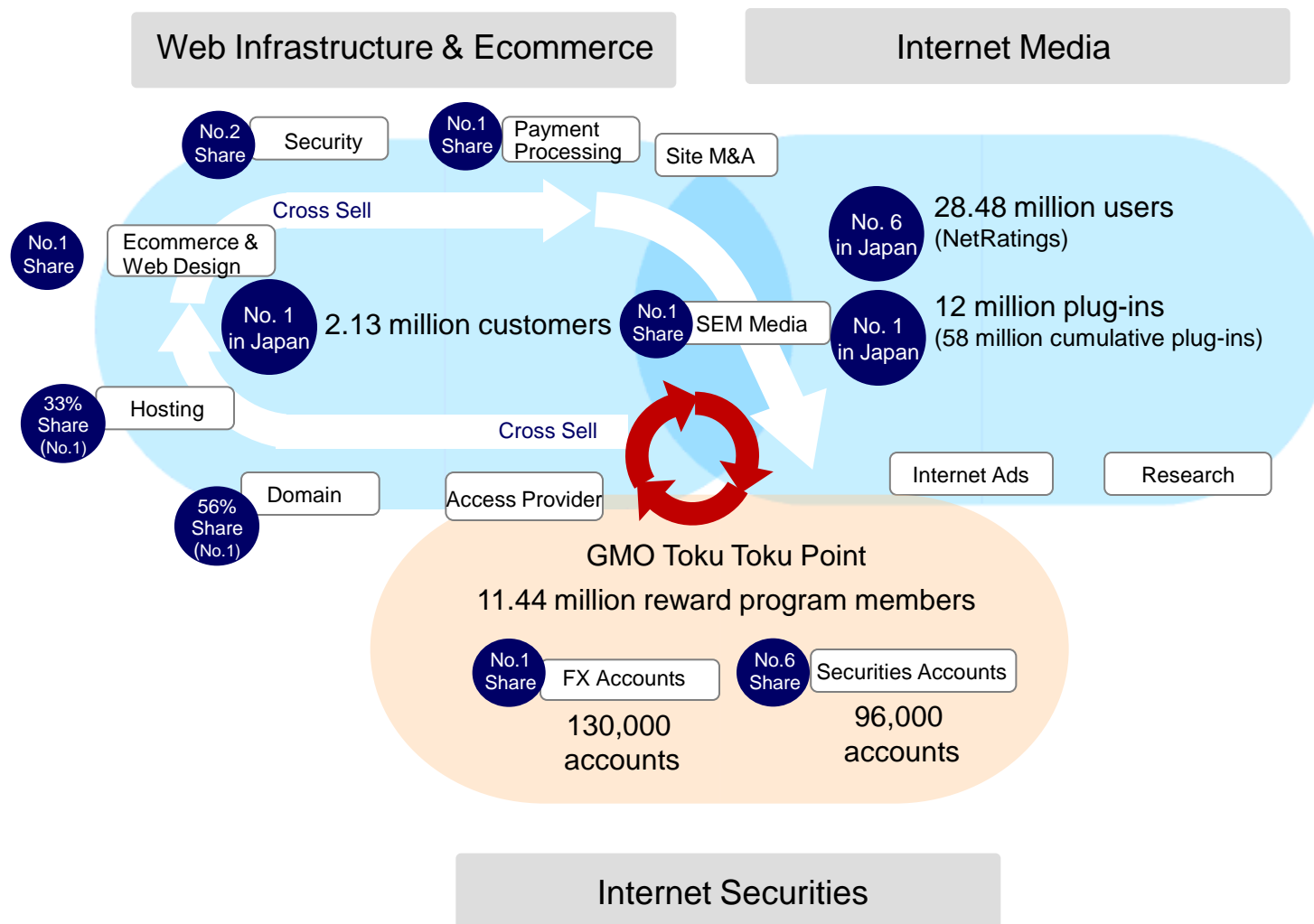
JPY5.9 billion operating cash flow, JPY22.8 billion cash on hand

(Unit: JPY millions)	1-9/2009	1-9/2010
Cash Flow from Operating Activities	4,723	5,982
Cash Flow from Investing Activities	-611	-2,097
Cash Flow from Financing Activities	-2,747	-1,707
Change in Cash and Equivalents	1,361	2,106
Balance of Cash and Equivalents	19,844	22,879

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# Business Segments

Comprehensive Internet services group operating in three business segments

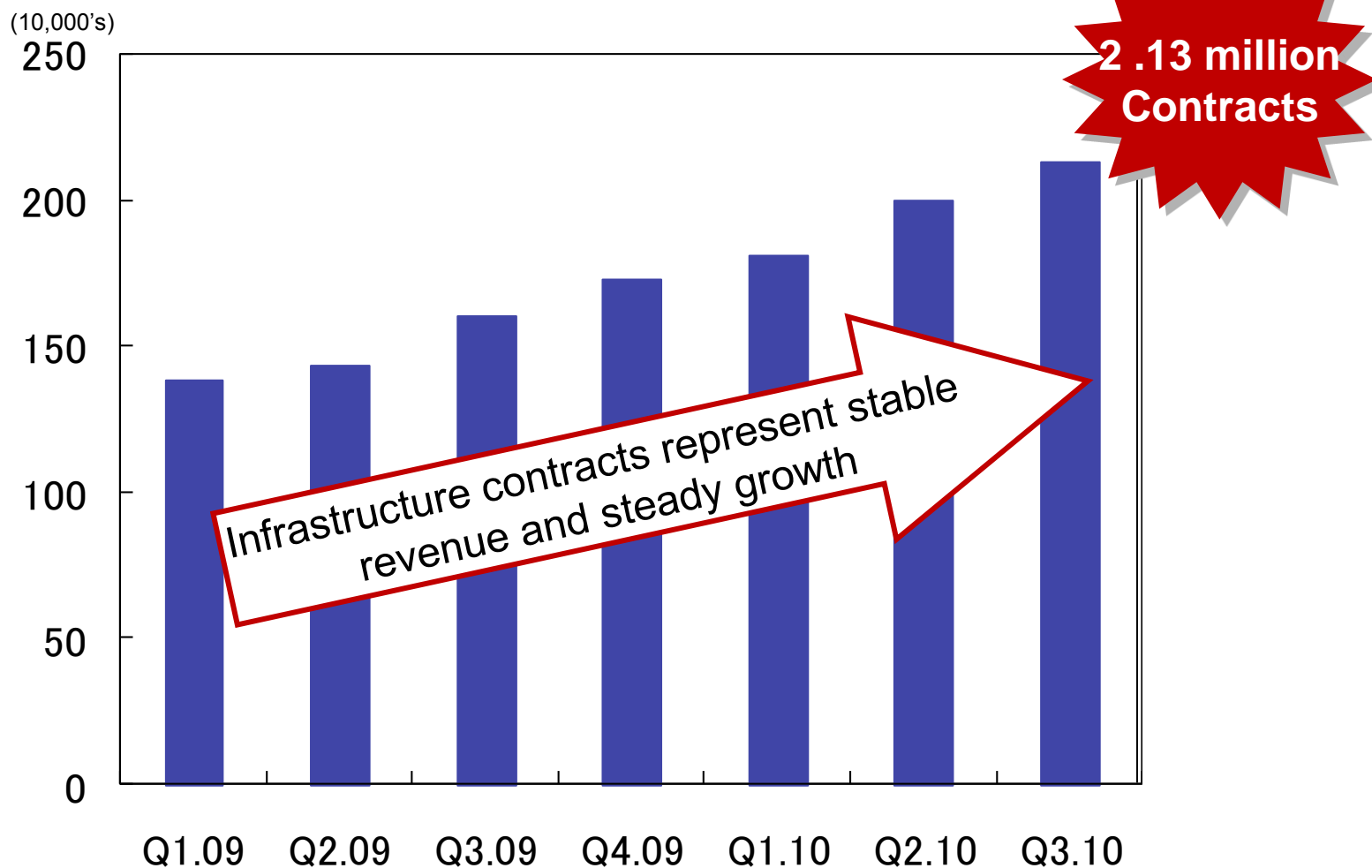


\*As of September, 2010,

\*Excludes access business customers

# Web Infrastructure & Ecommerce Contracts

## Solid growth of customer base



# Segment Composition & Q3 Highlights

## Five major service\* areas driving growth

\*Domain registration, Web hosting, Ecommerce solutions & web development, Security, and Payment processing

No. 1 Share **Domain**



No. 1 Share **Web Hosting**



No. 1 Share **EC Solutions & Web Dev**



No. 2 Share **Security**



No. 1 Share **Payment Processing**



**Internet Access Provider**



## Q3 Highlights

Leading innovation and competitive pricing strategy boost registrations significantly

Major success with GMO Apps Cloud Lollipop! moves to new data center

Partnership with Yahoo!

Strong global performance

Rapid growth in new contracts

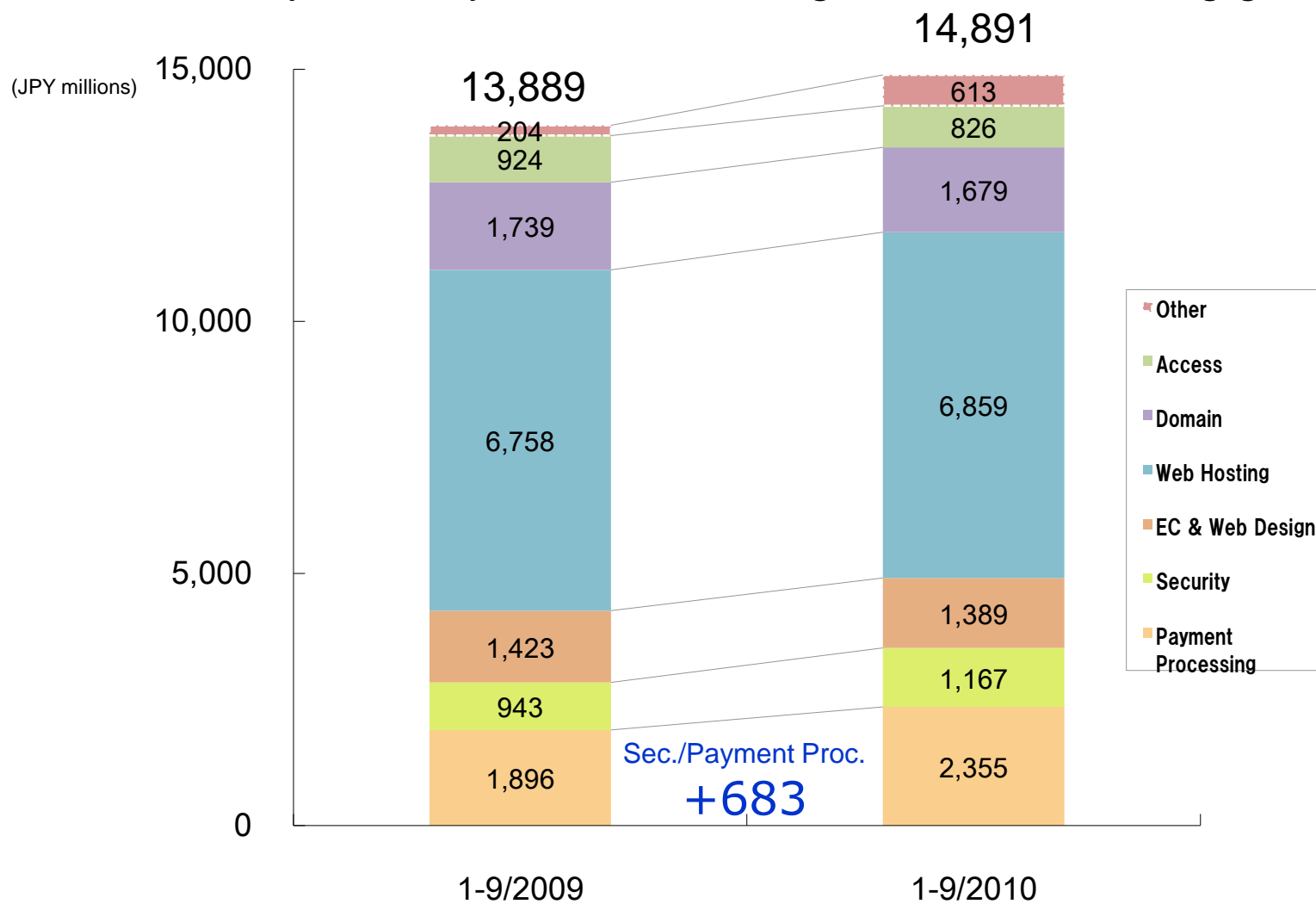
Drop in sales bottom's out

# Current Conditions and Objectives

	Market Condition		Our Position	Objectives
Domain / Web Hosting	No. of contracts/1,000 head of population		Market Share Domain: 56% Web Hosting: 33% Domain Revenue: approx. JPY2 billion Hosting Revenue: approx. JPY9 billion	Target Share Domain: 74% Web Hosting: 50% If domain registrations increase 5X (domain growth = server growth) - Domain Revenue: JPY13.2 billion Hosting Revenue: JPY68 billion
	Japan Netherlands Germany England	8.4 195 (X23 approx.) 153 (X18 approx.) 118 (X14 approx.)		
Security	Growth		Security Revenue: approx. JPY1.7 billion (Revenue from Japan: approx. JPY900 million)	If 17% growth is maintained in major markets and GlobalSign expands market share by 0.5% each year - In 2015 market share will reach 5.5% and revenue JPY6 billion.
		2009		
	Japan Netherlands England Germany	4.5% 2.2% 1.5% 0.9%	3.6% 2.4% 1.6% 0.9%	
Payment Processing	Ecommerce Adoption		OP: approx. JPY 1.1 billion No. of Stores: approx 25,000 Transaction Volume: approx. JPY 1 trillion (yearly)	Target Share: 40% If EC adoption in Japan reaches 4% - No. of Stores: 200,000
	Japan England Italy	2% approx. 8% 9%		

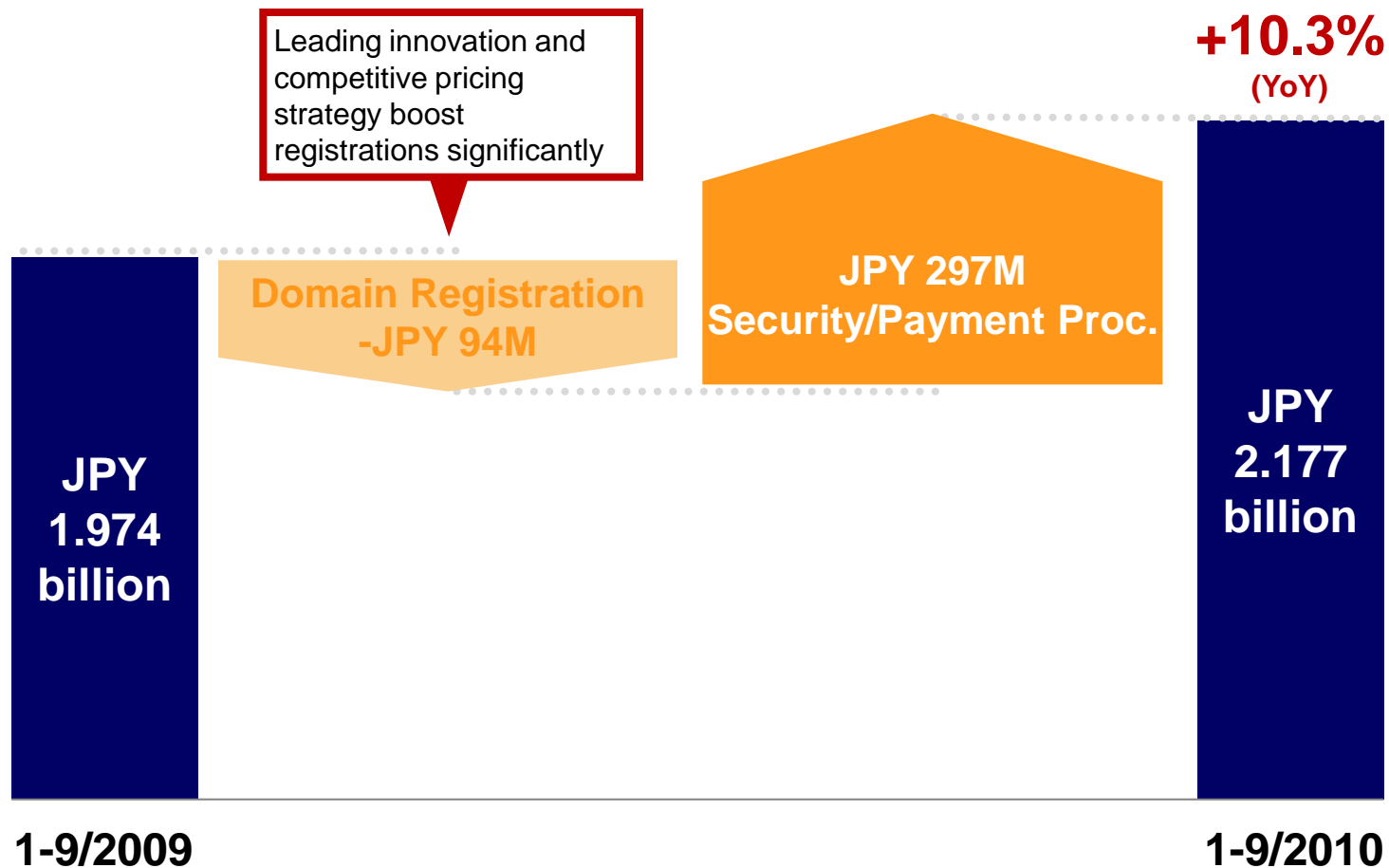
# Web Infrastructure & EC Sales (nine months to Sep)

Domain, Security and Payment Processing businesses driving growth



# Web Infrastructure & EC OP (nine months to Sep)

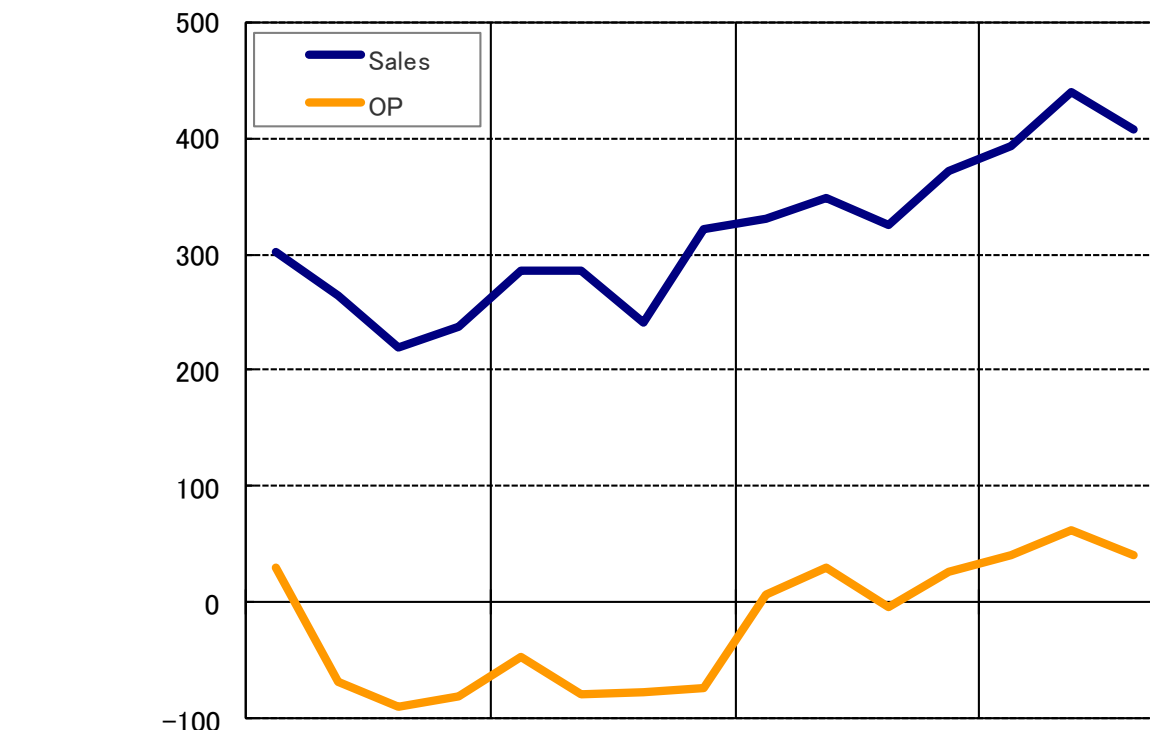
Strong security and payment processing businesses



# Web Infrastructure & EC - News

## Stable profits in security business

### Sales and Operating Profit – Quarterly Change



- Rapid growth in European market
- Domestic/global profit contribution phase

\*Calculated using the average exchange rate in the term from 08 Q4 (previously calculated using the exchange rate on the last day of the term)

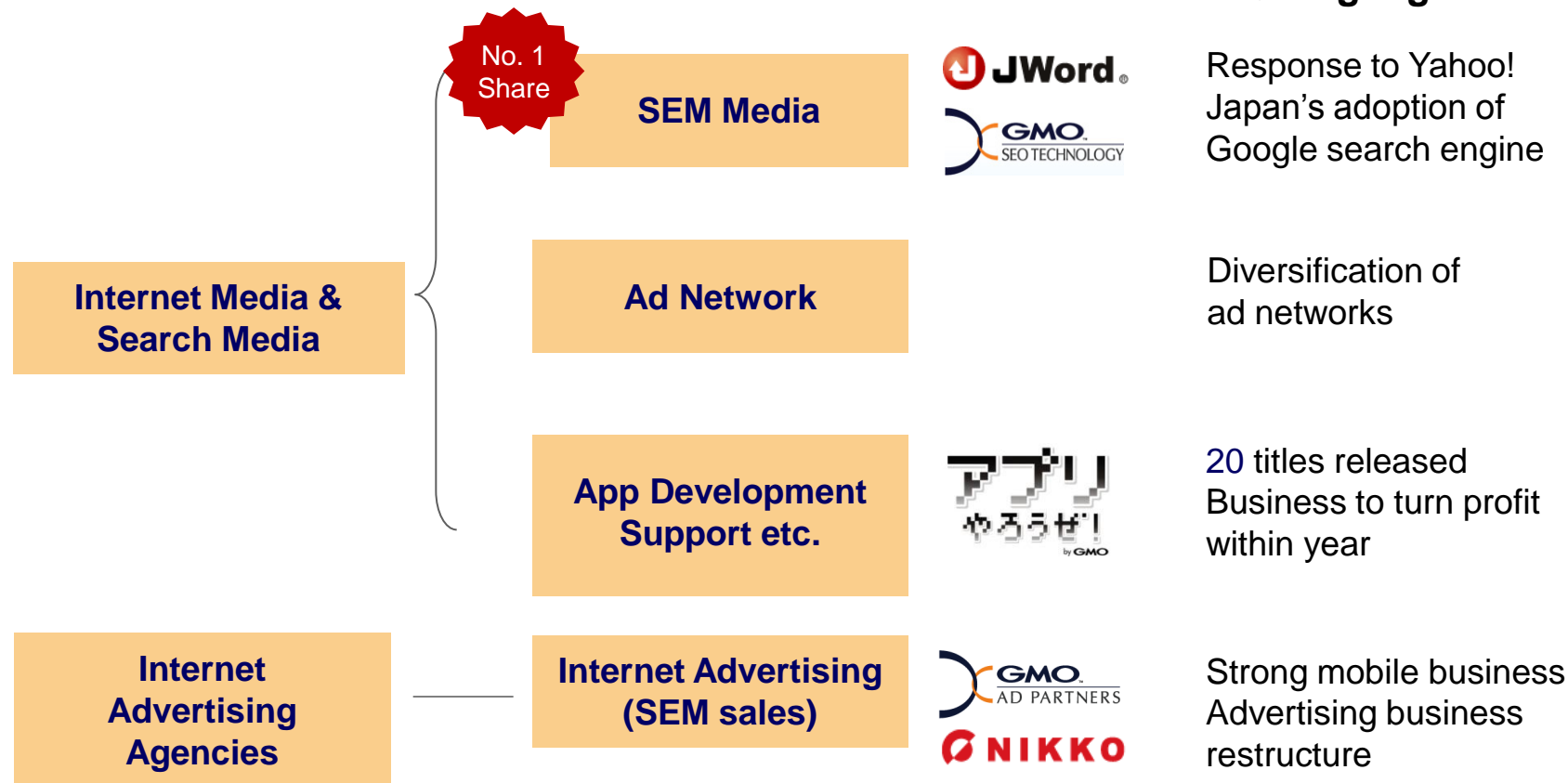
\*Now includes inter segment transactions

\*Calculated in accordance with GMO Hosting & Security accounting standards

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# Segment Composition & Q3 Highlights

Shift to own media strengthens profits



## Q3 Highlights

Response to Yahoo!  
Japan's adoption of  
Google search engine

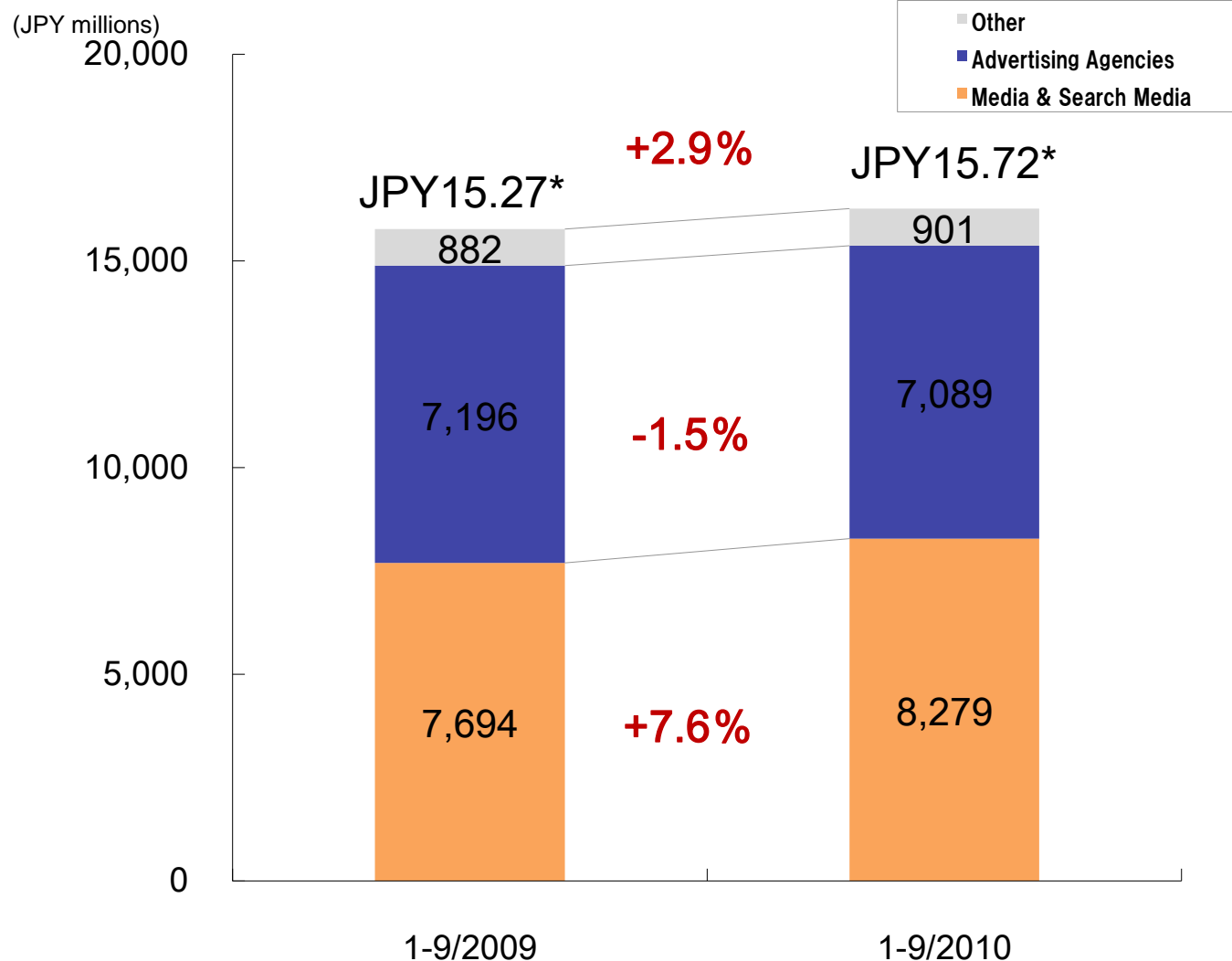
Diversification of  
ad networks

20 titles released  
Business to turn profit  
within year

Strong mobile business  
Advertising business  
restructure

# Internet Media Sales (nine months to Sep)

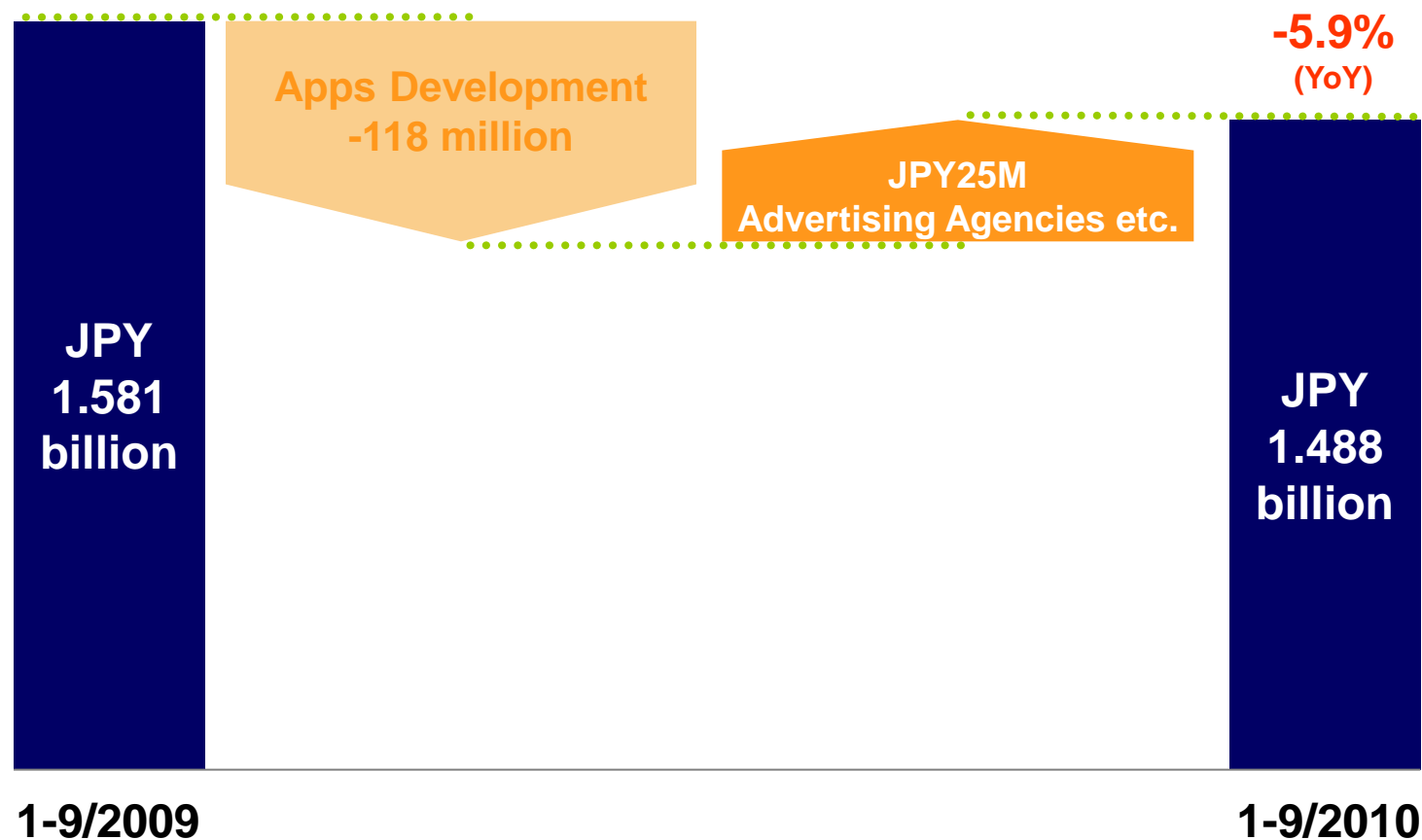
Responding to Yahoo! Japan's adoption of Google search engine



\*excluding internal transactions

# Internet Media OP (nine months to Sep)

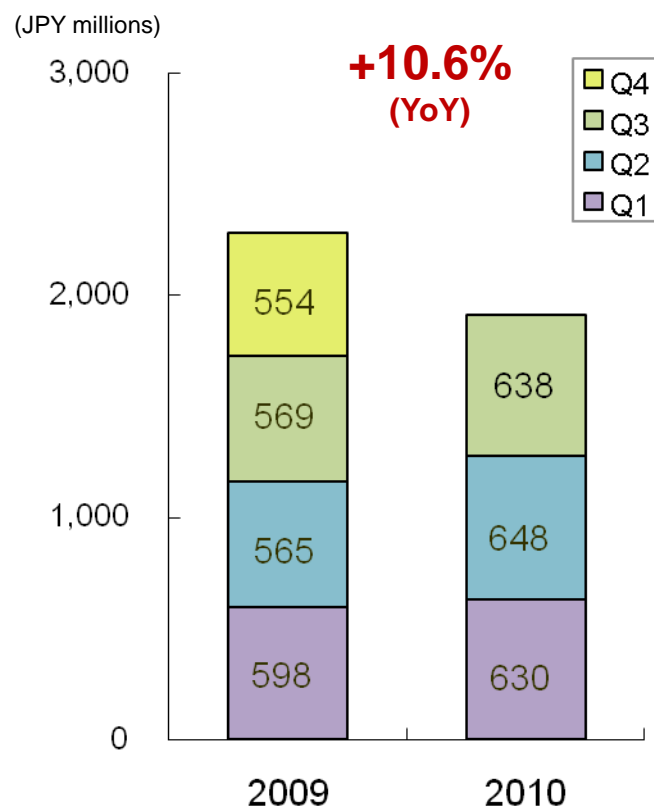
Profits reduced by investment in Apps Development Support business



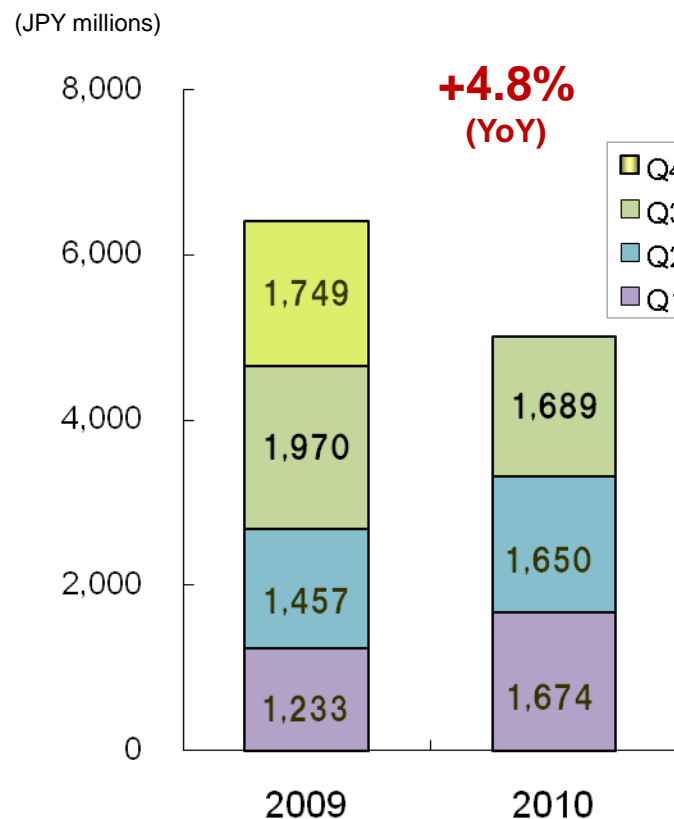
# Media & Search Media Breakdown by Product

Ad Network up 10.6%, SEM Media up 4.8%

**Ad Network Sales**



**SEM Media Sales**



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# Five Growth Initiatives

## Project

## Status/Objectives



(GMO Social Apps Initiative)

Toward profit contribution stage



(GMO Android Project / GMO GameCenter)

Service launch: November 26



(GMO Tokutoku Point)

Grow marketing strength



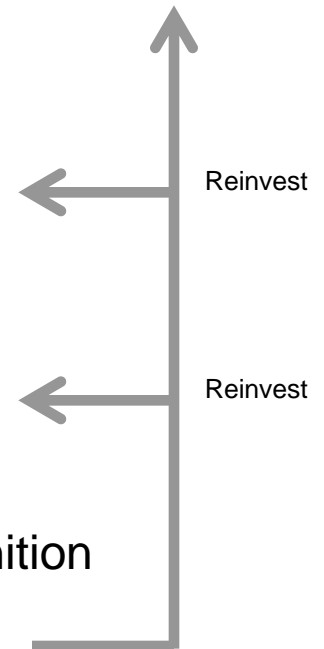
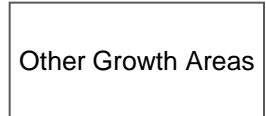
(New gTLD .shop)

New gTLD applications open  
May 2011

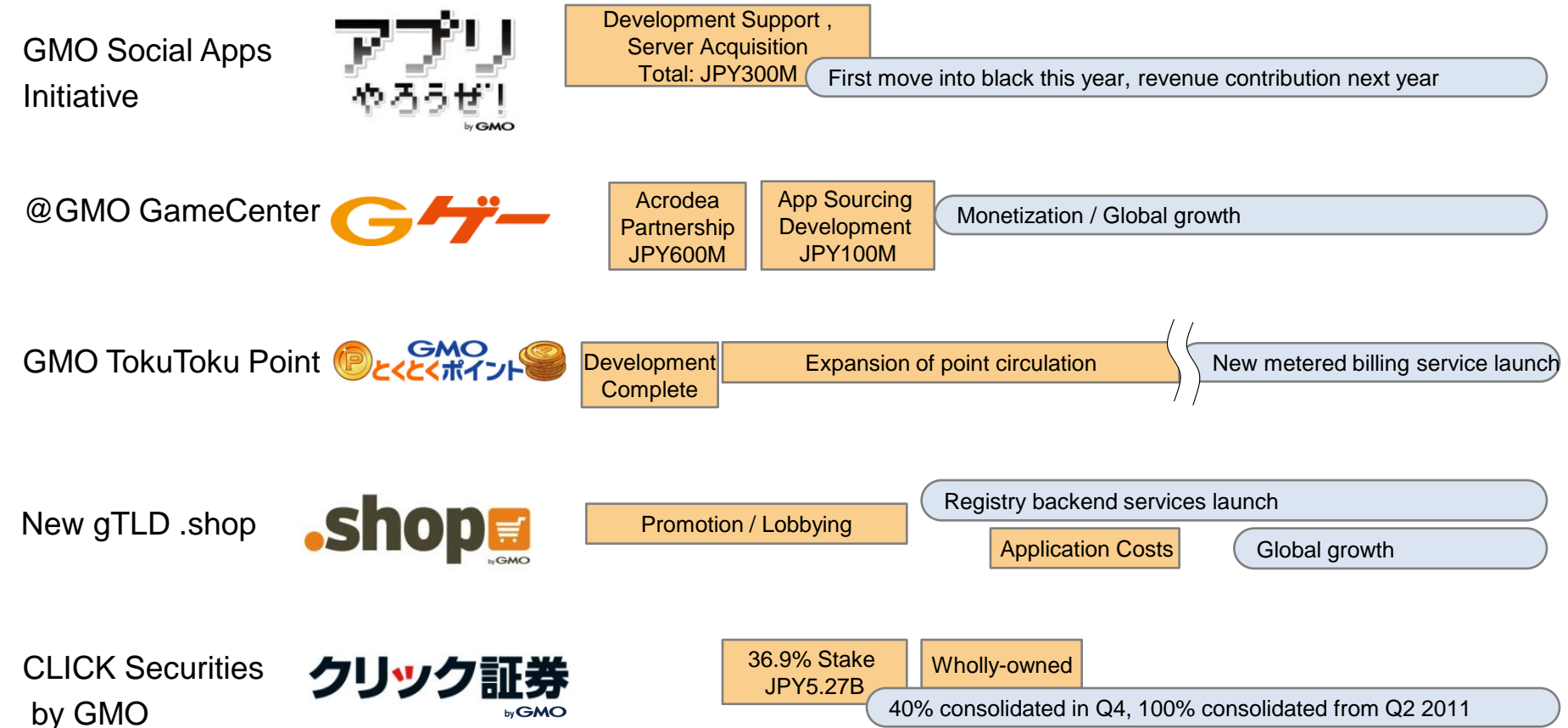
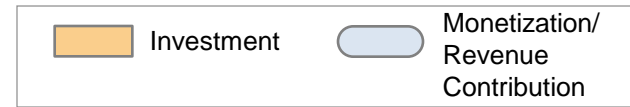


(CLICK Securities by GMO)

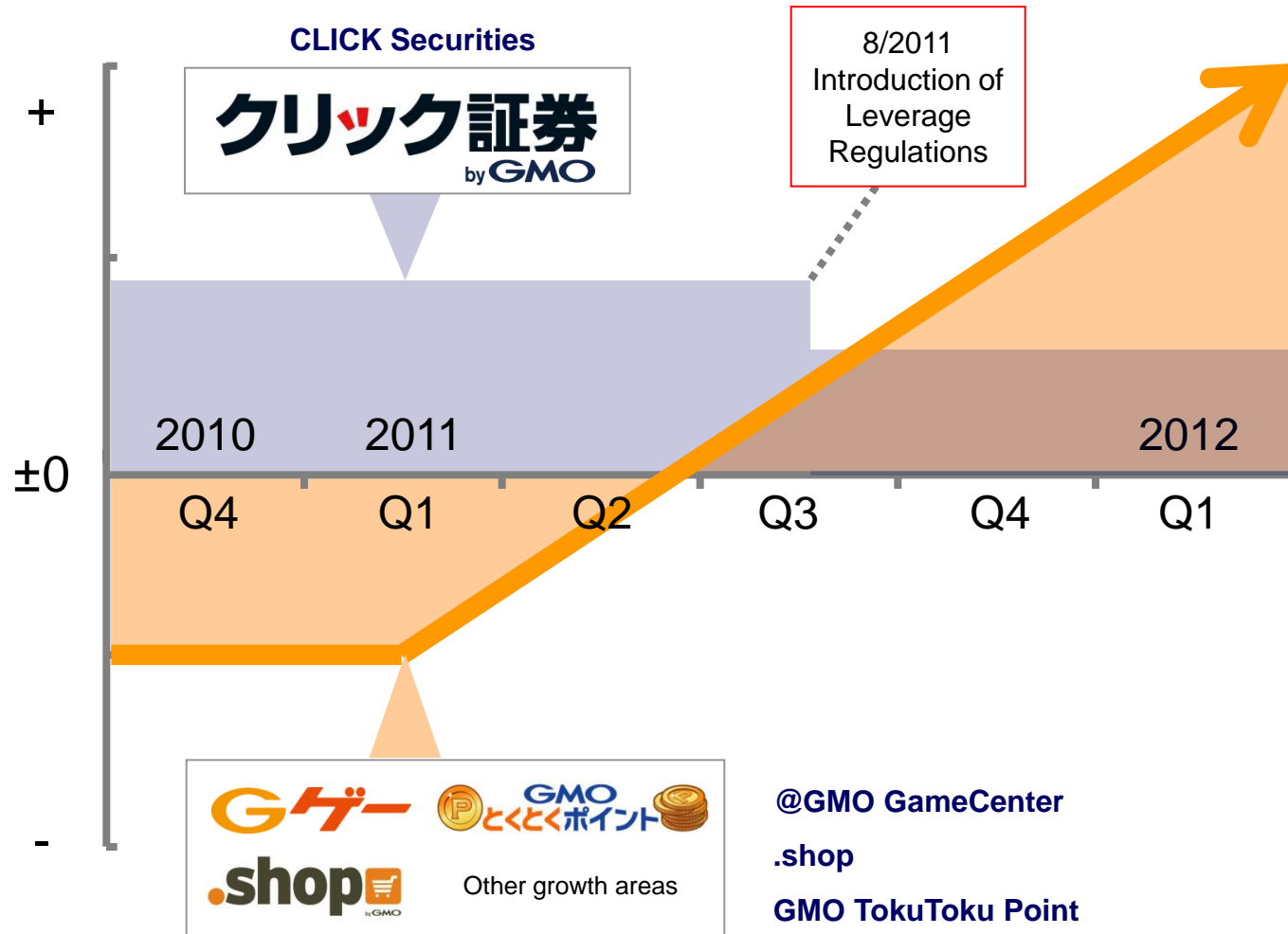
Leverage technology/brand recognition  
Reinvest profits in growth areas



# Investment/Revenue Timeline



# Investment/Revenue Timeline



# 1. Apps Development Support



## GMO Social Apps Initiative

# 1. Apps Development Support

$\frac{18}{27}$  Titles released

Hit App!



Gadran ★Master! by GMO

Super Appli, Inc.

- Equity Method Affiliate
- Mobage Town Ranking 15th (Men's Ranking 12th)\*
- Approx. JPY40M revenue in first 3 months

Popular Title!



Densetsu no Mamoribito by GMO

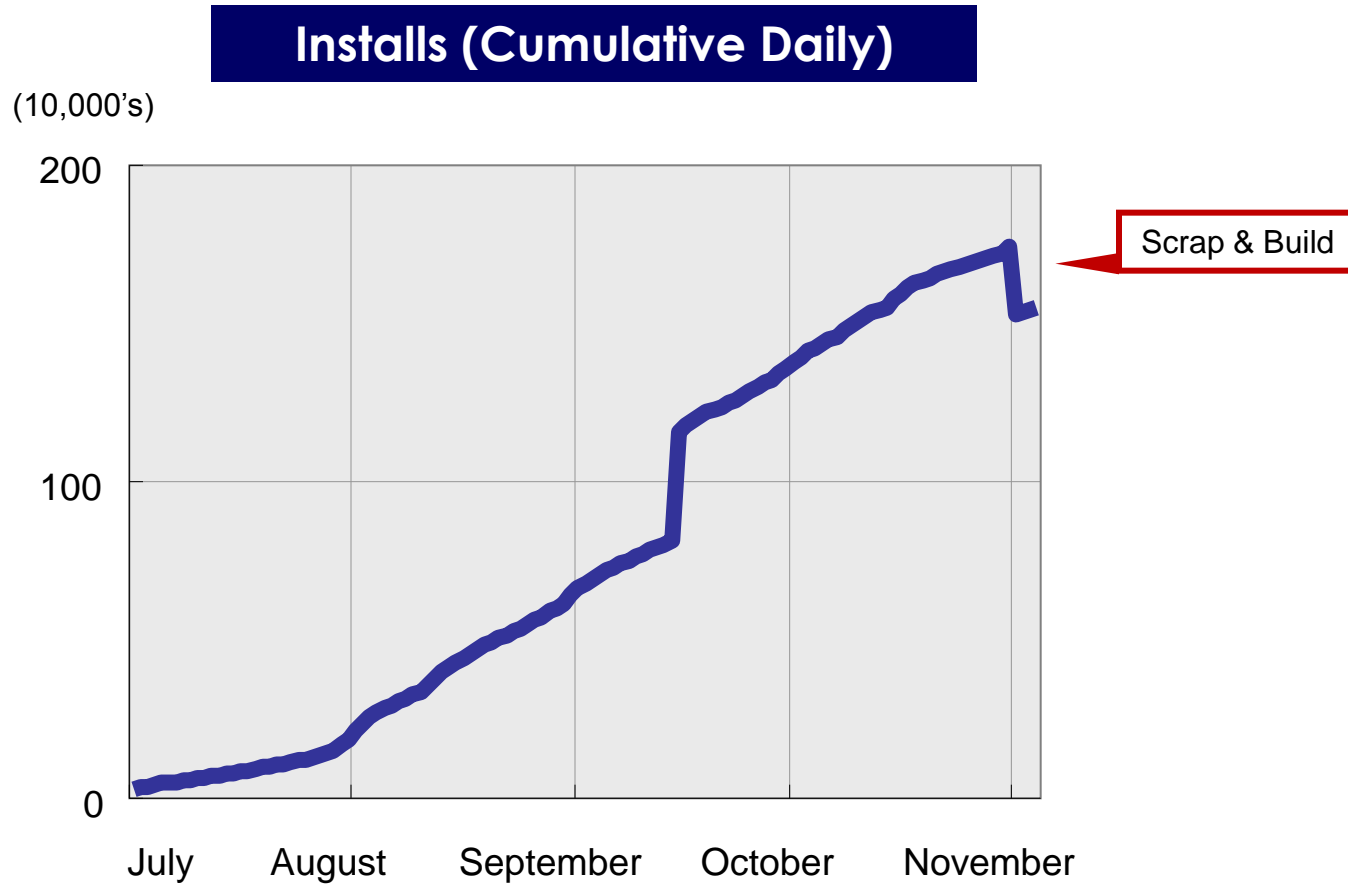
Rexvirt Communications, Inc.

- Consolidated Subsidiary
- Approx. JPY8M revenue in first 2 months

\*Source: <http://socialgamenavi.blogspot.com/>

# 1. Apps Development Support

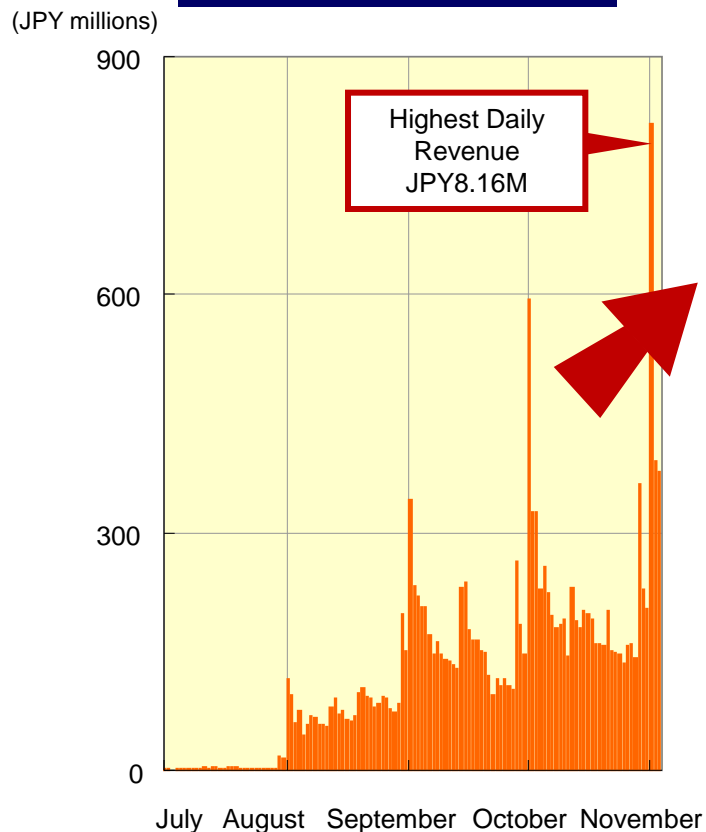
Rapid growth in installations project-wide!



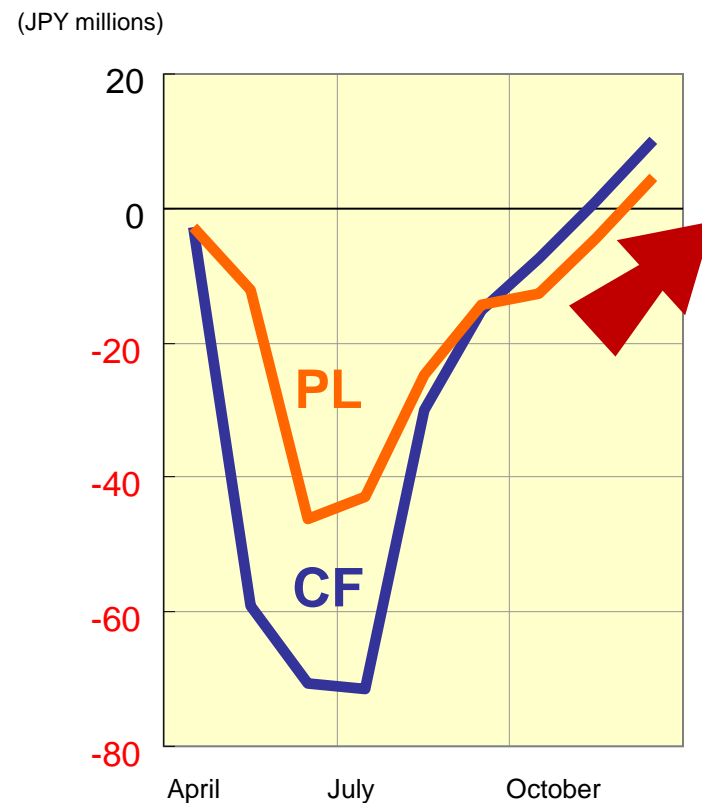
# 1. Apps Development Support

Positive C/F in November, P/L to move into black in December – profit contribution from next year

**Daily Revenue**



**Monthly Project P/L**



## 2. Android Apps Market

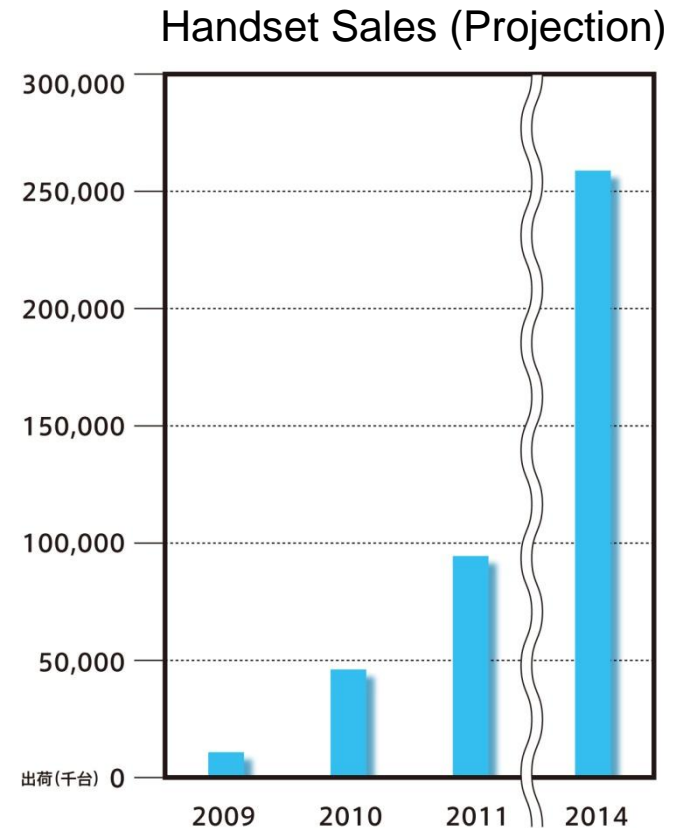
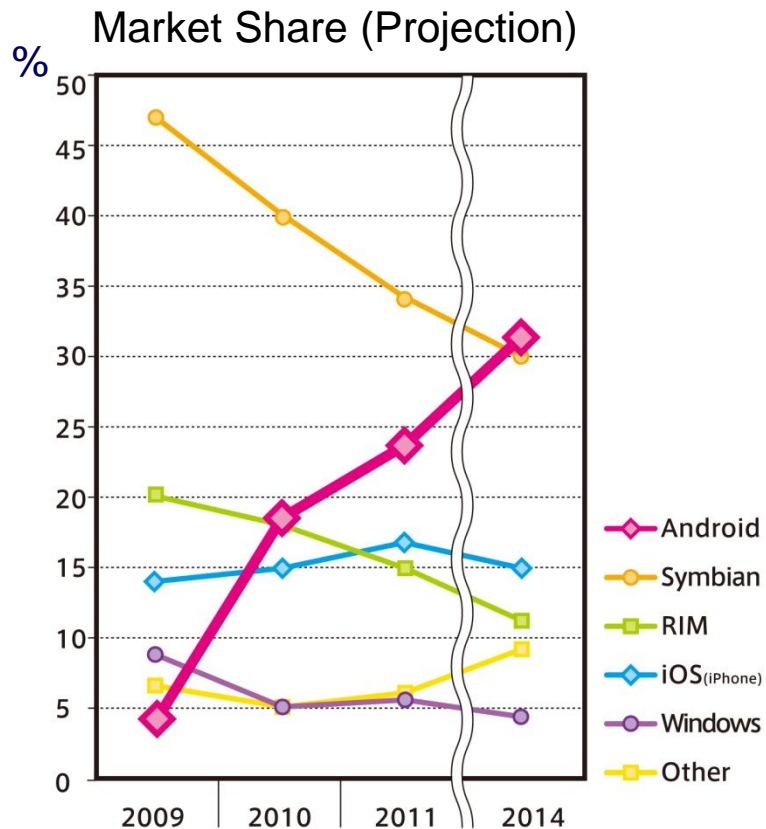


**GMO Social Apps Initiative – Phase 2**  
**Android Project**

**@GMO GameCenter**

# 2. Android Apps Market

## Android Market Outlook



**Android to overtake iPhone in 2010, handset sales to hit 5 times current level by 2014**

(Gartner, "Competitive Landscape: Mobile Devices, Worldwide, Q2,2010", 12.8.2010)

## 2. Android Apps Market

### Project Background

#### Concerns about Existing Android Distribution Platforms



Difficult to navigate the market and find apps

Viruses

Illegal copying – lack of protection

Labor intensive task of developing apps that run on the many available Android devices

24-hour cancellation policy

## 2. Android Apps Market

### Project Background

# GMO Apps Initiative – Phase 2 Android Project



We address the concerns developers have with existing apps distribution platforms and offer game makers low-cost, fast, safeguarded entry into the Android apps market.

# 2. Android Apps Market

@GMO GameCenter



## Dedicated Game Apps Market

## 2. Android Apps Market

@GMO GameCenter App Distribution

@GMO ゲームセンター



G ゲーム

Easy-to-use marketplace. Easy-to-find apps.

In-market promotion, community, and friends features to be introduced.

Future global expansion.

## 2. Android Apps Market

VIVID Runtime® SDK development tools provided free-of-charge



The VIVID Runtime SDK enables development of apps that run on Android, Windows Mobile, BREW, Symbian and other Operating Systems and across different devices. VIVID Runtime middleware makes it possible for a single app (native code) to run on multiple platforms for fast, low-cost game and app development. Also supports new OS versions.

## 2. Android Apps Market

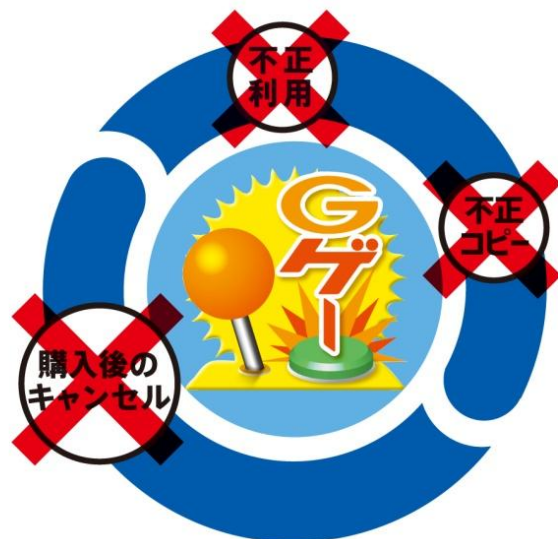
Development support for fast conversion of iPhone apps to Android Apps



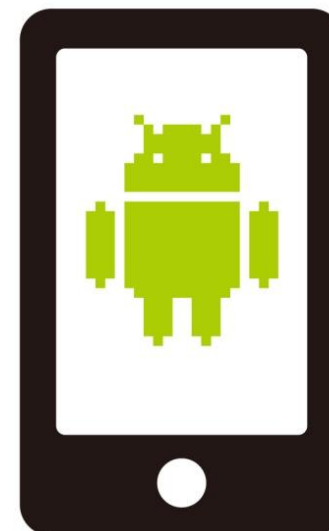
VIVID Runtime SDK supports Objective-C enabling fast conversion of iPhone apps. A full range of development support libraries is also available.

## 2. Android Apps Market

No cancellation, copy prevention



**Digital Rights Management  
(DRM) System**



**Android Handset**

Our own DRM system supporting all carriers is provided to apps developed using the VIVID Runtime SDK. Apps sold in @GMO GameCenter are DRM-protected preventing illegal use and copying. Game store policy also generally doesn't allow cancellations (refunds).

# 2. Android Apps Market

## Other features of @GMO GameCenter

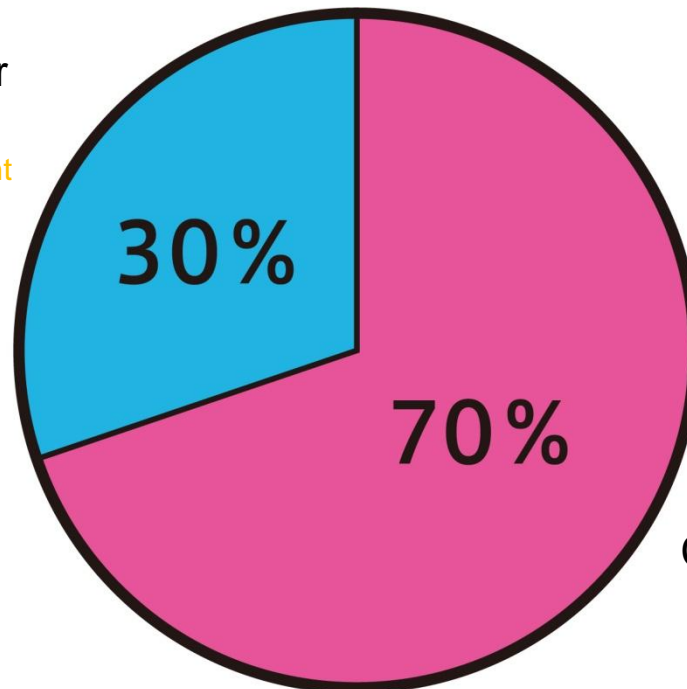
		Apple	Google	JPN Company A	JPN Company B
DRM (encryption/copyright protection)					
No 24-hour Cancellation Policy					
Multi-Payment Processing					
Detailed Purchase Data					
Global Reach					 (planned)
Ad Service					
Social Platform					

These features will be introduced after the service launch

## 2. Android Apps Market

### Revenue distribution

@GMO GameCenter  
Commission  
(includes carrier payment  
processing fees etc.)



Content provider share

\*May differ outside of Japan

## 2. Android Apps Market

### Schedule

■ November 26

**Service Opens!**

Partnership with au one Market: support for au Kantan payment processing



■ Early 2011

**DoCoMo Market**

Partnership with Docomo Market: support for SP Mode payment processing



■ Spring 2011

**SoftBank**

Partnership with Softbank: support for SoftBank's official payment processing system



■ Beyond spring 2011

**Social Features Launched**

Launch of SNS game API

**Global Expansion**

Partnerships with carriers worldwide

# 3. Ecommerce Solutions



ColorMeShop



MakeShop



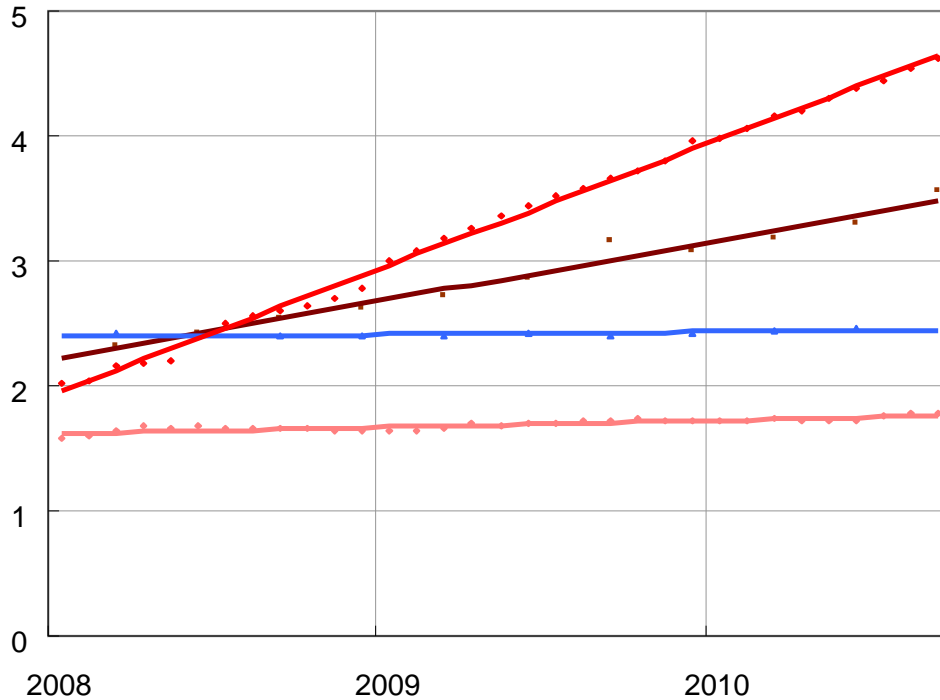
GMO TokuToku Point

# 3. Ecommerce Solutions

The largest ecommerce provider (servicing the most stores) in Japan

**46,000 Stores**

No. of Stores  
(10,000s)



**四カネミーショップ**  
(ColorMeShop)

**MakeShop<sup>®</sup>**

**楽天 (Rakuten)**  
T C H I B A

株式会社 **Eストア** (Estore)

**YAHOO!** ショッピング (Yahoo! Japan)  
JAPAN

## 3. Ecommerce Solutions

### Our Challenge

We hold the largest market share (no. of online store customers) in Japan.



But our challenge is to further grow volume of transactions.

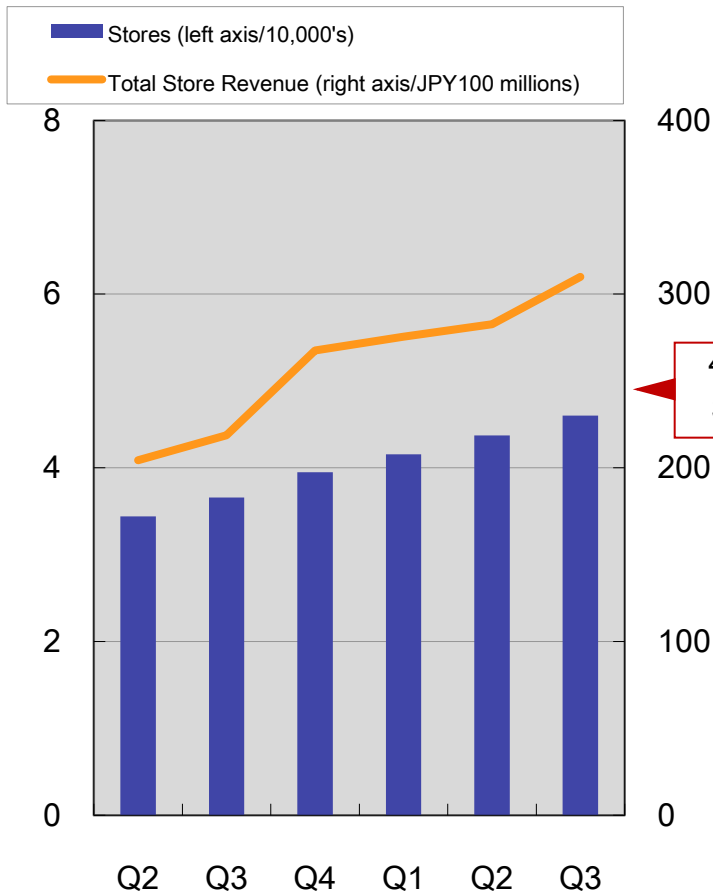


Solution: Strong marketing & expansion of points reward program.

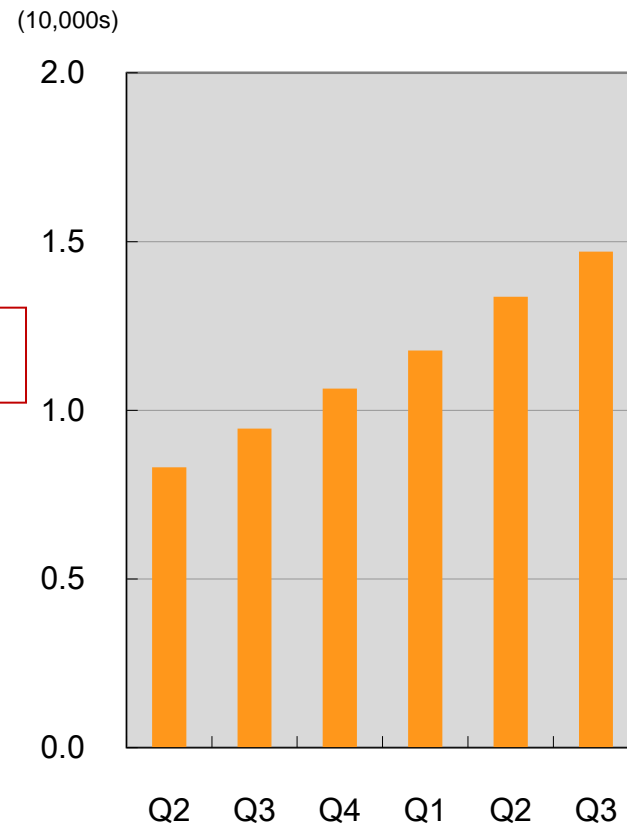
# 3. Ecommerce Solutions

Focus on increasing merchant participation in point program

Total No. of Stores/Value of Points



Total No. of GMO TokuToku Point Merchants



46,000 Stores

$\frac{15,000}{46,000}$  Stores

# 3. Ecommerce Solutions – Yahoo! Shopping Partnership

October 12: Applications accepted for new service

November 1: Service opens



Over 4,000 stores apply in 19 days!

4,000  
15,000  
Stores

Yahoo! JAPAN向けIE8なら検索がますます便利に

Y!

YAHOO! ショッピング ログイン IDでもっと便利に [新規取得]

Myショッピング カート/注文履歴 ログインしてお買い物をするポイントがたまります

すべてのカテゴリから 検索 条件を指定して検索

特集から探す | 翌日配達から探す | ランキングから探す | ストア名から探す

楽しむYahoo!チャイナモール 奄美地方 大雨災害義援金 - ポイント10%に挑戦!

Yahoo!ショッピングのページに戻る

カテゴリから探す

- レディースファッション
- メンズファッション
- 腕時計、アクセサリ
- 食品
- ドリンク、お酒
- ダイエット、健康
- コスメ、香水
- パソコン、周辺機器
- AV機器、カメラ
- 家電
- 家具、インテリア
- 花、ガーデニング

送料無料で ヒット直前! グルメ特集

全品送料無料で 全品送料無料で ぜひ食べて

送料無料で お具が揃った グルメ

人気ストアで賢く 買いたい物

ダイエットコース

食べすぎ、肌荒れをケア

- ・コスメ香水訳ありセール
- ・円高還元ブランドセール
- ・人気おせち早割実施中

全品送料無料で!

キャラメル アイテムポスト

これだけは食べてほしい

ヒット直前! グルメ特集

カラメル参加店、アイテムポスト参加店の商品が、11月1日より、Yahoo!ショッピングに掲載されるようになります。ヒット直前の人気グルメを大特価します!

【送料無料で】カニしゃぶ・蟹鍋・かにステーキに最適な特選むぎ身! 生冷凍ズワイガニ脚★6L/1kg入 6,780円(税込)

濃厚で生チョコのような口溶け! 高級ショコラをたっぷり使った、専門店の焼きショコラ 送料無料で! 3,360円(税込)

テレビで話題のトロケル松坂牛! (松坂牛)牛とろフランク 200g(陶器入)【送料無料で】 3,680円(税込)

とろーり かぼちゃ チーズケーキ Wセット 送料0円! とろけるチーズケーキ&かぼちゃチーズのセット(各12cm) 2,700円(税込)

【送料無料で】庄内ごはんの友詰め合わせ! ごはんのにのせたり料理に使ったり。選べる「食べる調味料セット」

# 3. Ecommerce Solutions – Google Shopping Search

Google Shopping launched October 28 – expected to be powerful marketing tool for stores operating under their own domain.

ウェブ 画像 動画 地図 ニュース ショッピング Gmail その他 ▼ 検索設定 | ログイン

Google カニ 検索

約 64,219 件 (0.04 秒) ショッピング検索オプション

すべて ショッピング

表示の絞り込み:  新品

すべての価格帯  
800円 以下  
800円 - 3,000円  
3,000円 - 6,000円  
6,000円 - 30,000円  
30,000円 超

すべてのブランド  
サンワ  
Emustar  
ソニー  
講談社  
シュワルツコフ  
その他 >

すべての店舗

北海道産のカニ大特価販売  
www.northbussan.co.jp タラバ、ズワイ、毛ガニ何でも揃ってます。カニなら「最北の海鮮市場」

お歳暮にカニ  
item.rakuten.co.jp/seiyu-gift 西友の冬ギフトはネットで15%OFF! さらに全国無料配送。

カニ身が詰まった蟹ボイルズワイカニ爪かにドんと1kg訳なし  
1kgで約30~40個入っています!平均33個。 3,400円(新品)  
かに・魚介類を直送! 蟹の通販!カニ...

マルタン北海道産!訳ありぶっごみカニセット(7kg前後)  
マルタでしか味わえない鮮度の良いまいカニが家庭でどうぞ。お得なセットです。 14,700円(新品)  
面館蟹卸・業務用

ボイル済み・カット済みだから調理が簡単 蟹を満喫大満足 かにの王様「タラバ」  
ボイル済み・カット済みだから調理が簡単 蟹を満喫大満足 かにの王様「タラバ」  
蟹カニ 食べ放題 カット済みボイル本たらば蟹1kg。 3,980円(新品)  
蟹王

ウェブ 画像 動画 地図 ニュース ショッピング Gmail その他 ▼ 検索設定 | ログイン

Google boots 検索

約 114,249 件 (0.05 秒) ショッピング検索オプション

すべて ショッピング

表示の絞り込み:  新品

すべての価格帯  
4,000円 以下  
4,000円 - 8,000円  
8,000円 - 10,000円  
10,000円 - 30,000円  
30,000円 超

すべてのブランド  
トップショップ  
トニーラマ  
クーラブラ  
UGG  
トリパーチ  
その他 >

Shoes store Over The Knee Foldable Boots BLACK  
詳細 タイプ: ニーハイブーツ(10.5cmヒール) ※ご注文時に忘れずにサイズをお選びください。サイズ 5 = 22cm 5.5 = 22.5cm 6 = 23cm 6.5 = 23.5cm 7 = 24cm 7.5 ... 15,900円(新品)  
BuyMa

VOLANS BOOTS  
メンズライクな印象のレザーショートブーツ。ソールがしっかりとした印象ですがウイング チップが可愛らしさをプラスしてくれます。細身のパンツやスカートなど幅広い ... 50,400円(新品)  
ZOZORESORT

お手頃なアイテム\*TOPSHOP\*MARVIN Front Lace Boots  
全2色 Camel (画像1,2,3,4) Black (画像5) 100% Leather 36、37、38、39、40の5サイズ サイズ選びの参考としてください。あくまでも目安です。 ... 8,300円(新品)  
BuyMa

Chippewa Wellington Boots Black  
いわゆるベコスブーツですが、チペワではウェリントンブーツと呼ばれています。 27,300円(新品)  
高円寺 Hoy-Hoy Station

# 3. Ecommerce Solutions – Maximizing promotion

Now



# 3. Ecommerce Solutions – Maximizing promotion

Future

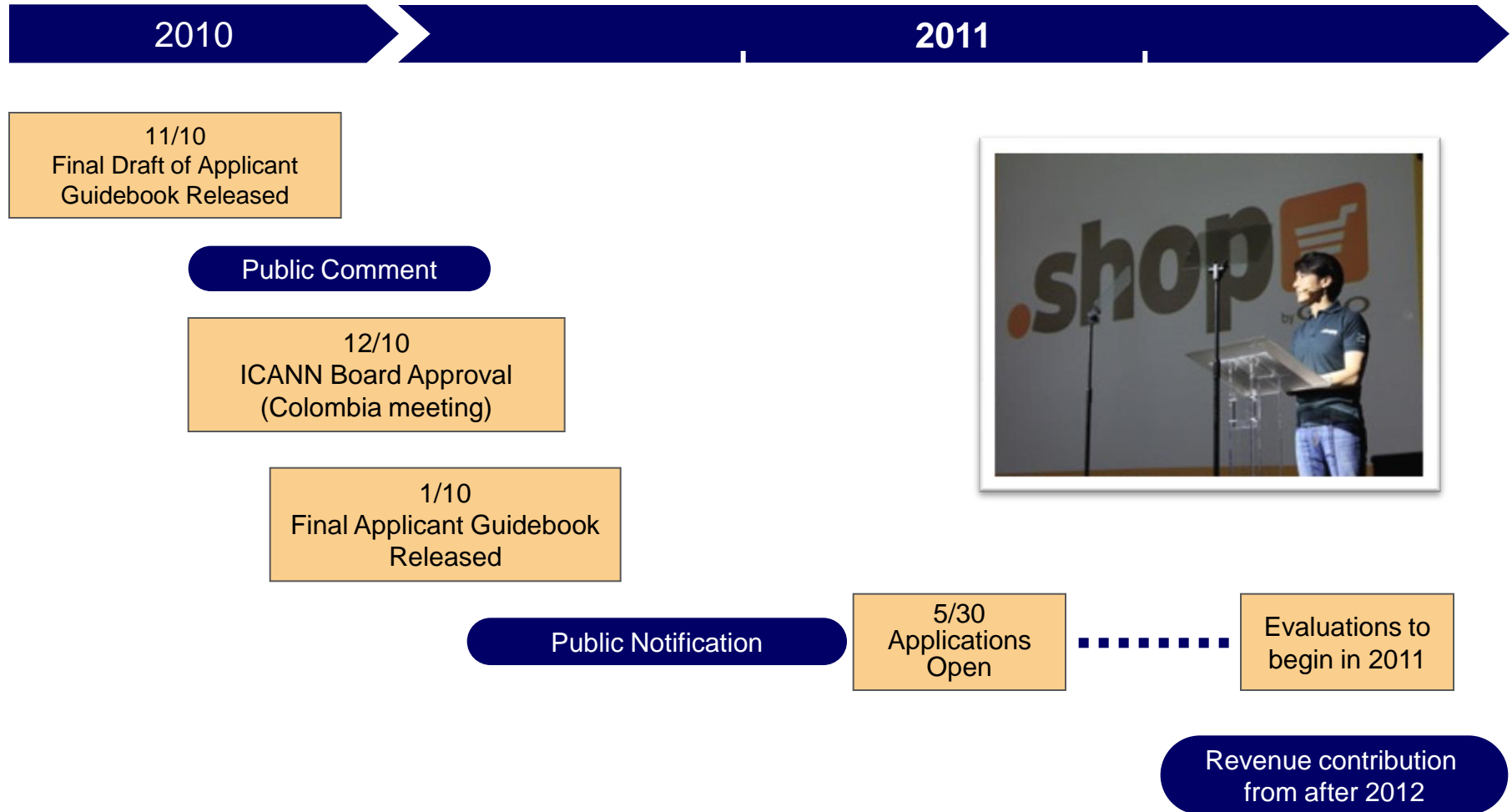


## 4. Domain Business: Global Growth



# 4. Domain Business: Global Growth

## New gTLD (.shop) application timeline almost fixed



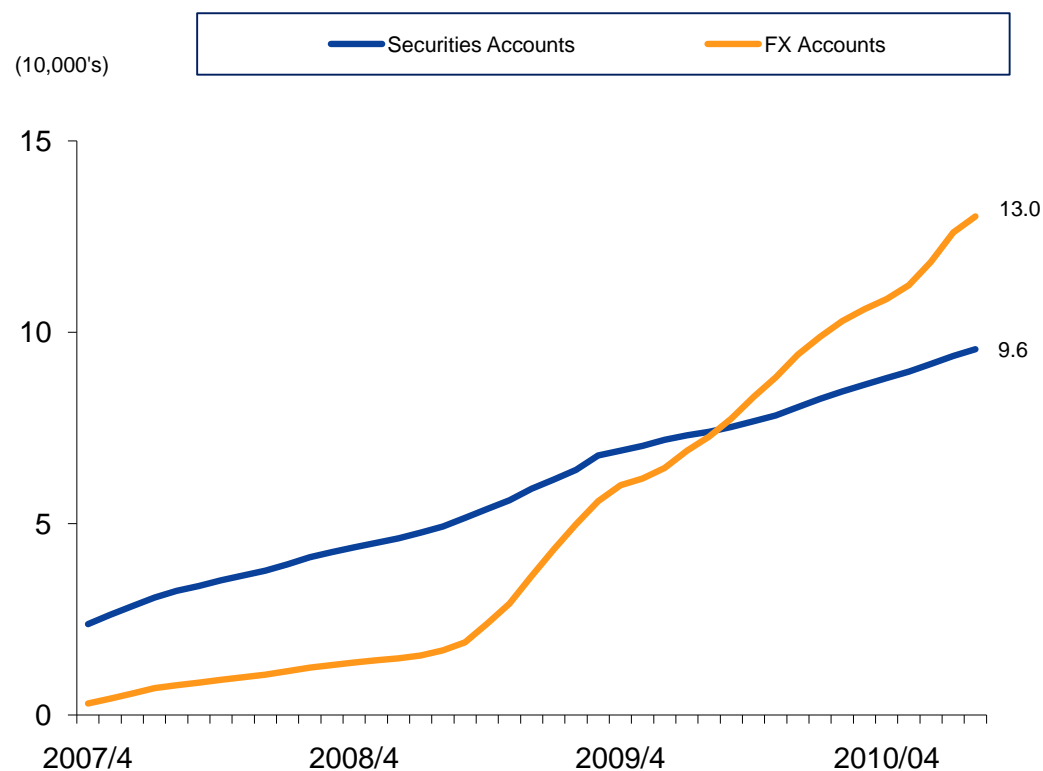
## 5. CLICK Securities

**クリック証券**  
by **GMO**

**CLICK Securities by GMO**

## 5. CLICK Securities – Growing Customer Base

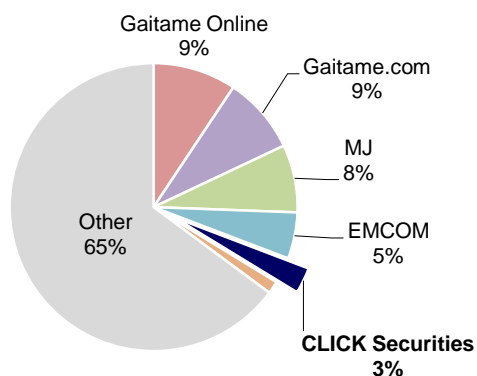
- Stable growth in securities trading accounts
- Sharp increase in FX accounts since 2008 achieved by offering reduced spreads



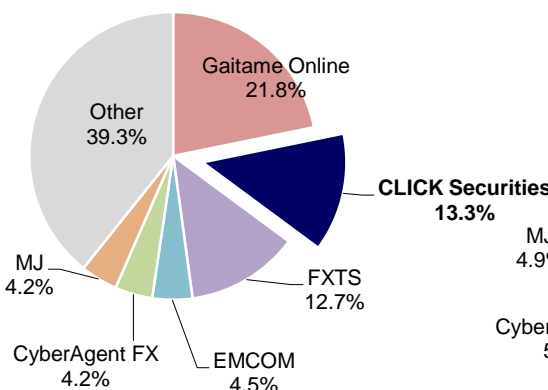
# 5. Click Securities – No. 1 FX Trading Market Share

Gained top industry share in FYE 3/2010

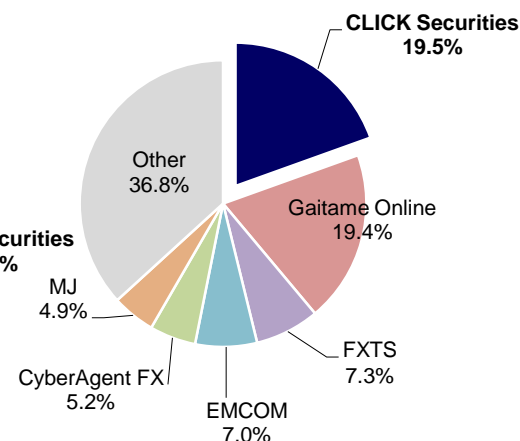
FYE 3/2008



FYE 3/2009



FYE 3/2010



**3.0%**



**13.3%**

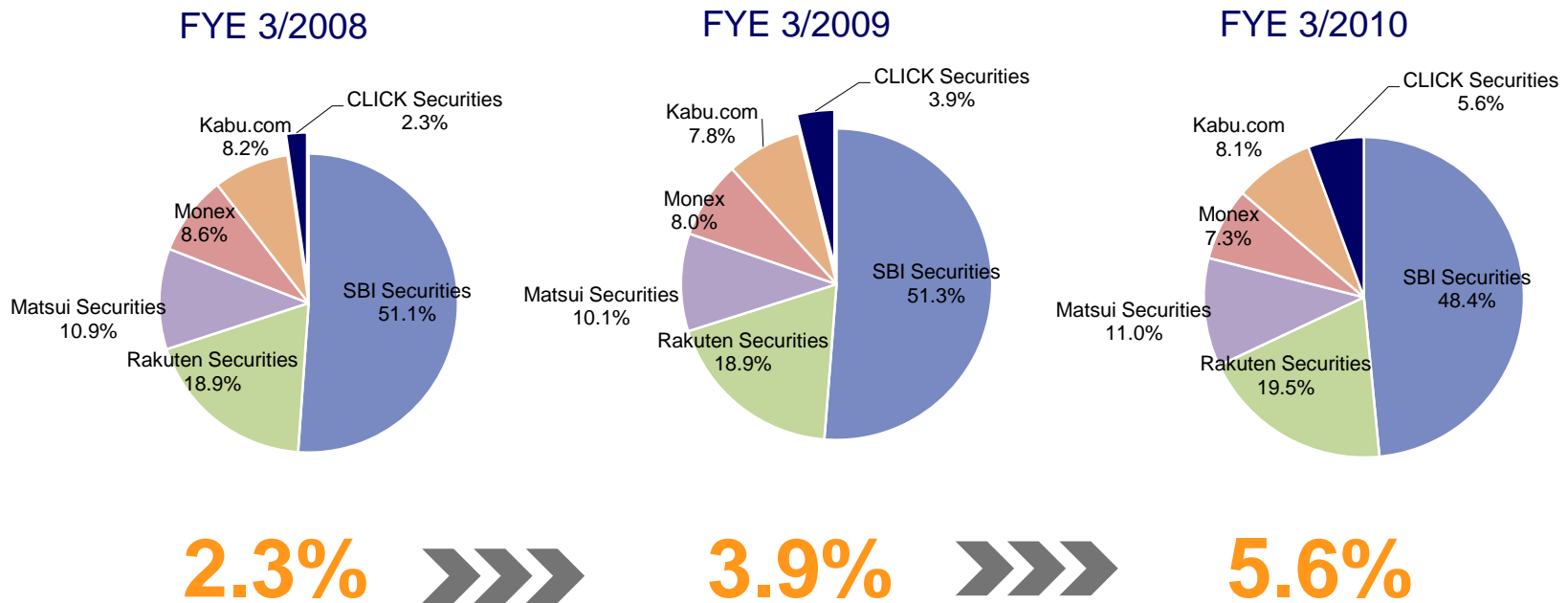


**19.5%**

Competition is intense and market positions are constantly changing however, since around 2008, CLICK Securities has slowly differentiated itself from other services including those offering low spreads (Gaitame Online, FXTS, CLICK Securities) and alongside Gaitame Online has now become one of the largest players in the market.

# 5. Click Securities

## No. 6 in Net Securities (Trading Volume)

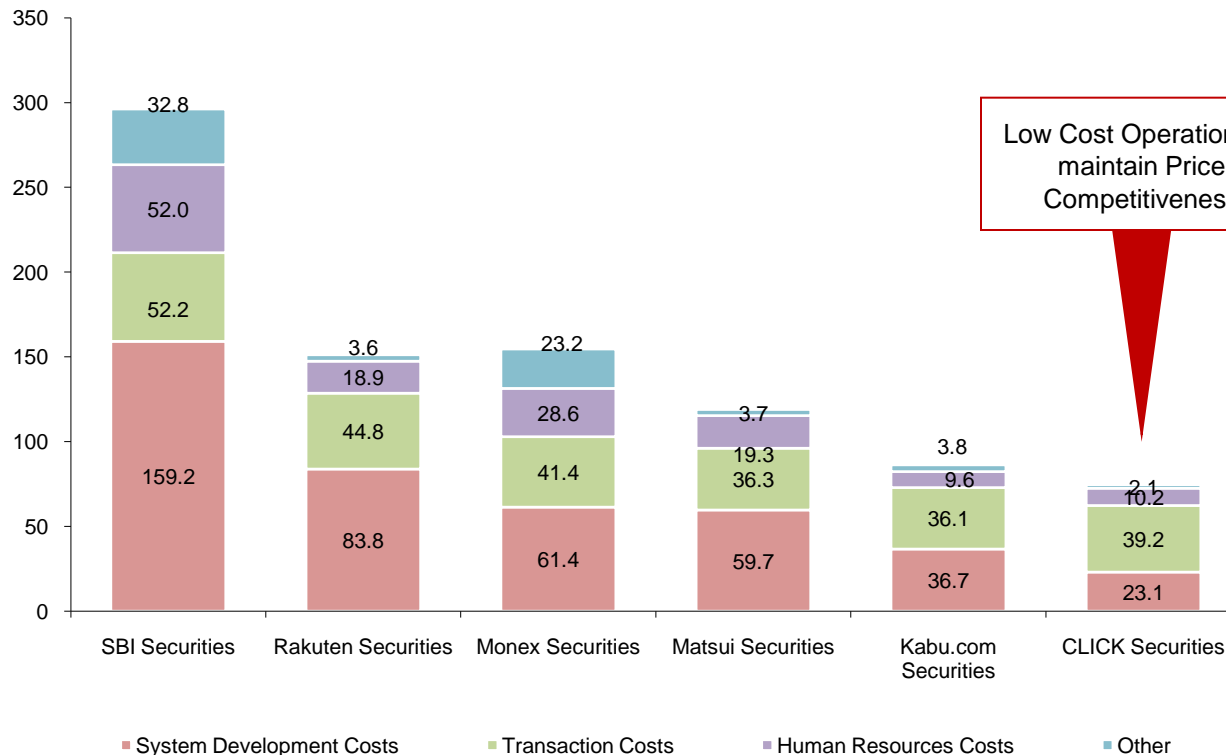


Despite a long term stock market slump resulting in a fall in trading volume industry-wide, CLICK Securities has increased trading volume and expanded market share.

# 5. Click Securities – Technology Advantage

In-house System Development  **Highly Efficient Operations**

(JPY 100 millions)



Note: System development costs = Real estate costs + Administration costs + depreciation expenses  
 Based on FYE 3/2010  
 Monex Securities does not disclose details of operational costs, here Monex Group figures are shown.

# 5. Click Securities – Advertising and Promotion



TV Commercials



Airport Carts



2009 Pacific League Climax Series



2009 World Figure Skating Championships



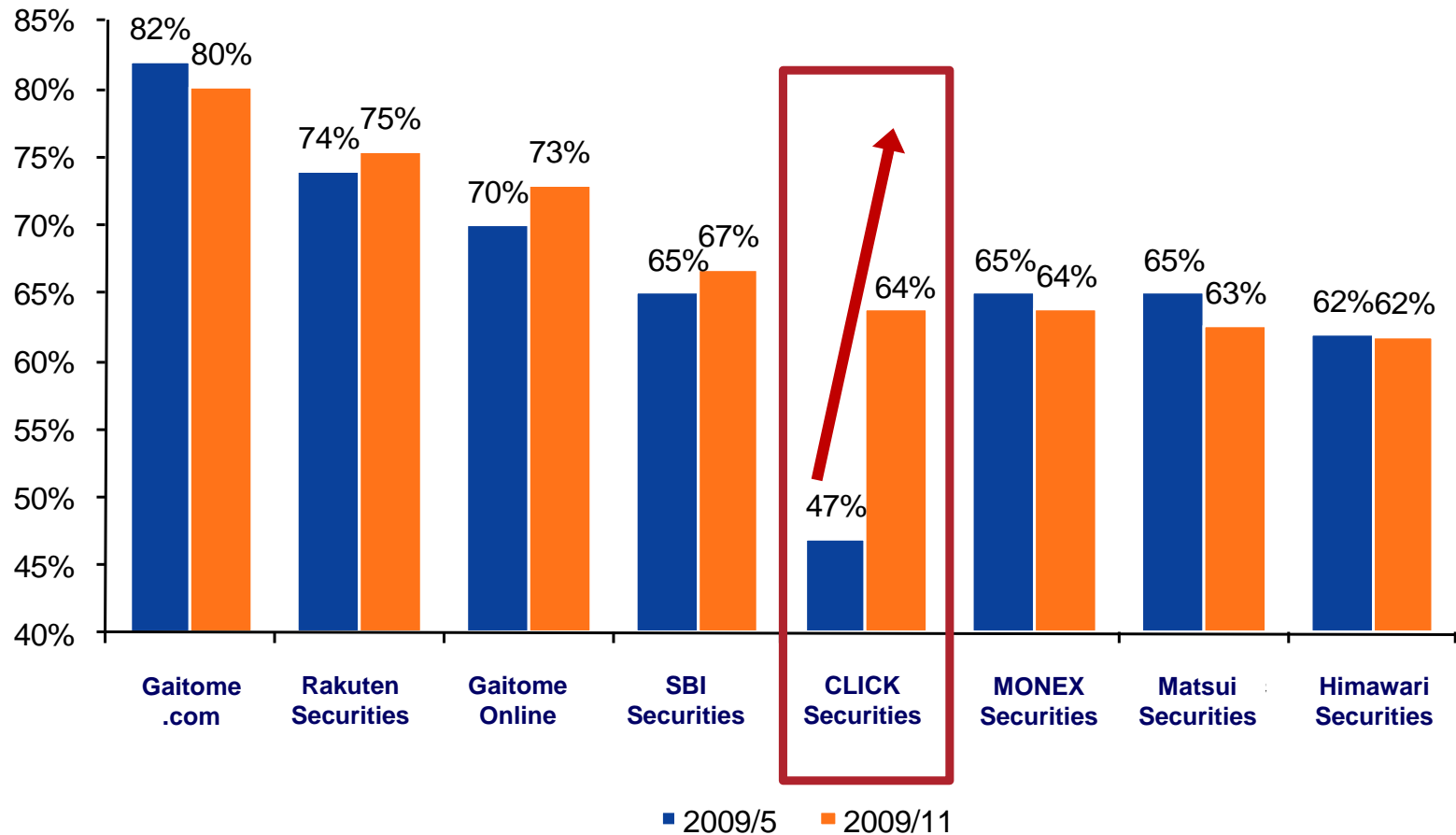
Official Partner of Japan's Swim Team



Japan Men and Women's Volleyball Team

# 5. Click Securities – Brand Recognition

Brand recognition reaches par with major players



\*CLICK Securities Survey Results

## 5. Click Securities – Leveraging Brand Recognition

Company name change planned in Q2 2011

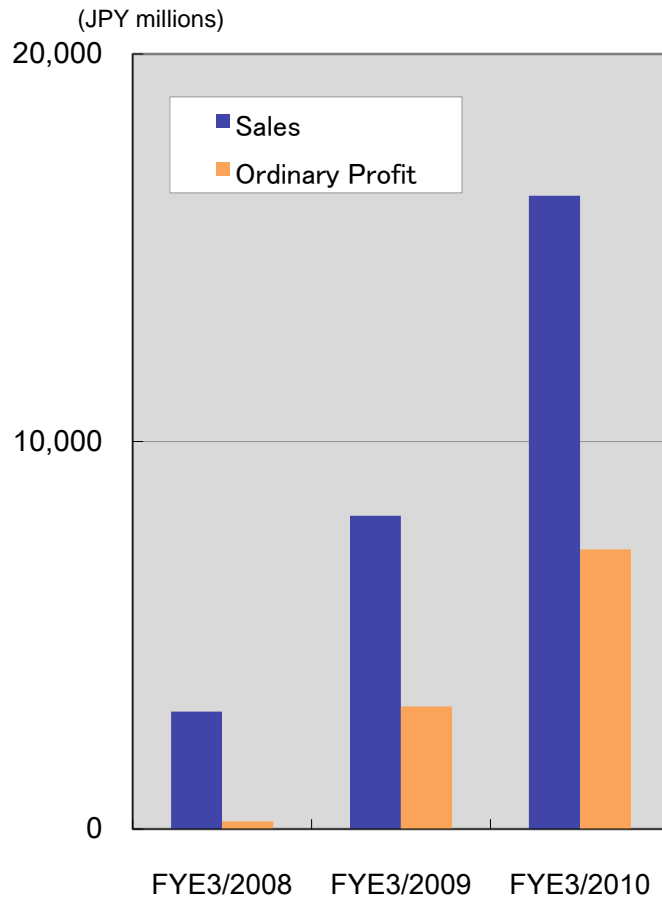
**クリック証券**  
by **GMO**  
(CLICK Securities)



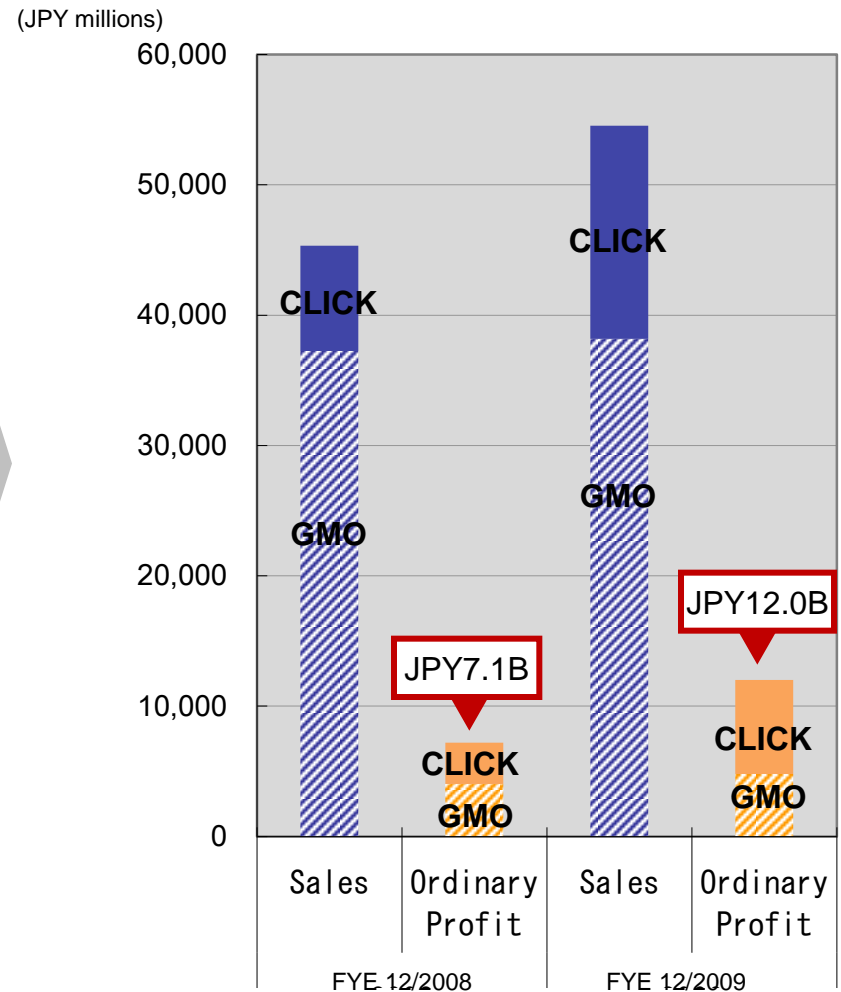
**G M O** **クリック証券**  
(GMO CLICK Securities)

# 5. Click Securities – Historical Performance

## CLICK Securities Performance

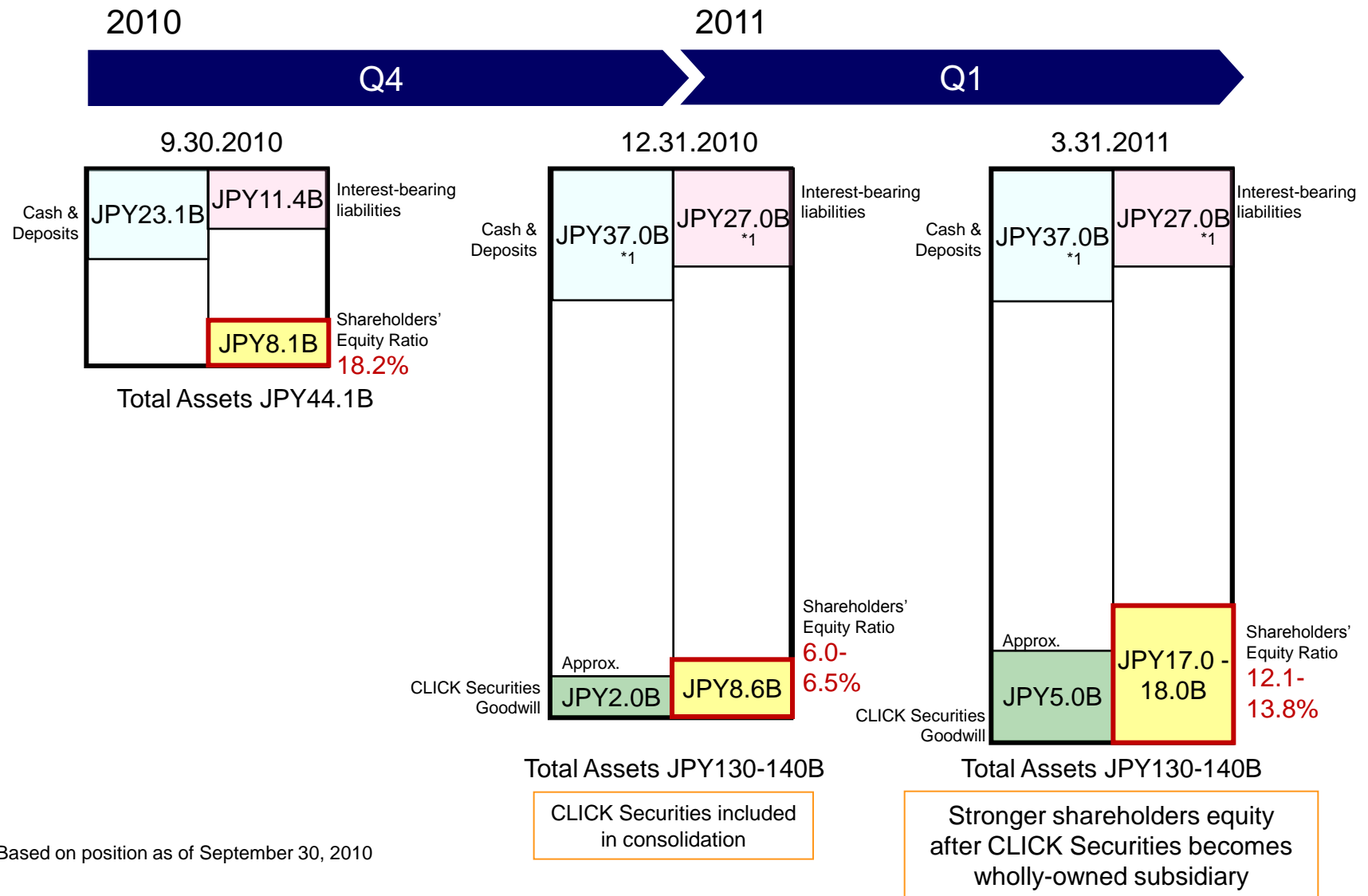


## GMO+CLICK Securities Combined





# 5. Click Securities – B/S Projection



\*1. Based on position as of September 30, 2010

# Japan's Leading All-in Provider of Internet Services

# GMO